Module 1

DECISIONS! Decisions to Make and Who Can Help

MONEY AND YOU SENIORS EDITION

Module 1

DECISIONS!
Decisions to Make and Who Can Help

Let's Discuss…

- $ The Big Picture — Looking Ahead to Your Lifetime Horizon
- $ Possible Transitions in Later Years of Life
- $ Setting Goals for the Future
- $ Decisions You'll Need to Make and Factors to Consider
- $ Estimating Income and Expenses
- $ Managing Health Care Risks
- $ Projecting Your Financial Position
- $ Managing Risk In Your Portfolio and Choosing Investments
- $ Arranging Legal Documents
- $ Funerals: Pre-Planning
- $ Leaving A Legacy: Protecting the Inheritance You'll Leave to Others

The Big Picture— Looking Ahead to Your Lifetime Horizon

Around age 50, many people begin thinking seriously about whether they've saved enough money for the life they want in retirement. There is one common thread for everyone in this time:

Your retirement will be completely unique from anyone else's, and so your financial needs will differ, too.

For example, you may be:

- A low income earner with few savings
- A high income earner with few savings
- A low income earner with significant savings
- A high income earner with a significant savings but high debt
- Either a low or a high earner with no debt

And so on.

You may also live in a very traditional family, or a non-traditional one. Regardless, what everyone has in common as they age is that they tend to worry about two things:

- Will I have enough?
- How much is enough?

One of the goals of planning ahead for your leisure years, is to give you more choices. For these reasons, learning more about your financial future as you age should be about safe havens:

- What is your financial situation today? This can serve as a useful benchmark for decisions.
- What worries you about your financial future in retirement?
- What do you need to know and who can you ask?

This resource will approach topics you may not have thought about yet and will evolve in the future with your feedback. Please don't hesitate to let us know what you need to know.

As a starting point, however, you are not alone if you feel somewhat "in the dark" about decisions and choices you will need to have.

That's because the "traditional" retirement is changing.

In the past, for example, one might expect to have about 20 years in retirement—if they were lucky. Retirees may have pictured the excitement of no longer having to punch a clock; imagining what they'd do on their "permanent vacation."

But life has changed. And what retirement will look like can vary.

Think About It

Do you want to spend all or some your retirement years working, or are you going to be able to afford the time off?

OLD

- retired at 65
- income primarily from public pensions
- renting or owning one home
- simple investments: mostly interest-bearing
- shorter lifespan

NEW

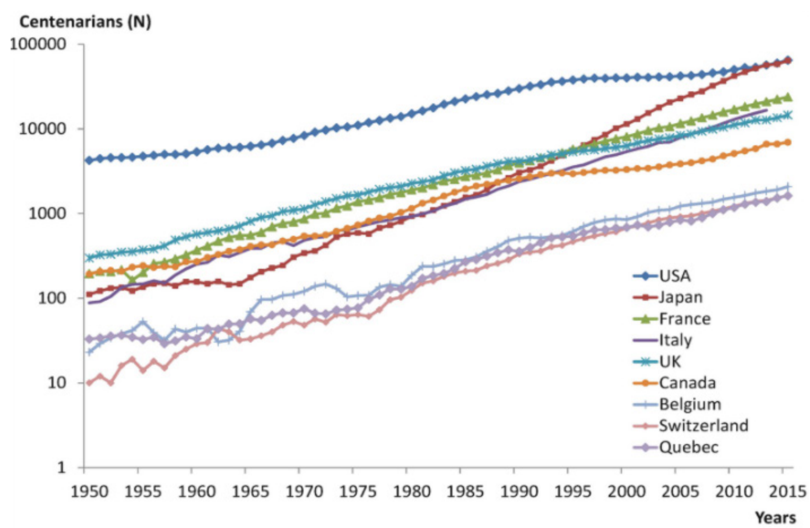
- first retirement at 55, next at 60, again at 65, 75 and later
- several sources of income including pensions
- several destinations you call home
- more complex investments
- longer lifespan

With people projected to live longer than ever, and in some cases "transitioning" into retirement earlier in life, the overall period in retirement will be longer, potentially 30-plus years. Consider the following statistics:

- There were over 8,200 centenarians in Canada in 2016, a 41.3 percent increase over 2011[1]. And according to Statistics Canada, "Recent Statistics Canada's population projections show that the number of centenarians will likely continue to rise. By 2031, it could reach more than 17,000 and by 2061, close to 80,000.[2] By that time, most cohorts of baby boomers will have reached 100."
- The average life expectancy in Canada[3] at birth is 81.1 years. But, if you live to be age 65, you can expect to live another 20.2 years. More good news: these life expectancy figures are projected to increase in future years:

Canada Life Expectancy (Projected)[4]

Date	Life Expectancy
2021-12-31	82.664
2031-12-31	84.14
2041-12-31	85.394
2051-12-31	86.526
2061-12-31	87.624
2070-12-31	88.602
2071-12-31	88.708
2081-12-31	89.784
2083-12-31	90



Source: Extreme Longevity in Quebec: Factors and Characteristics | SpringerLink

1 2016 Census
2 2016 Census

3 Statistics Canada. Table 13-10-0409-01 Life expectancy at birth and at age 65, by province and territory, three-year average

4 Original Source: United Nations - World Population Prospects

- Retirement age stayed relatively the same over the years, but it can vary between public sector, private sector, and self-employed individuals because of the different retirement benefits available.

Average Retirement Age[5]

Retirement age	Class of worker	2019	2020
Average age	Total, all retirees	64.3	64.5
	Public sector employees	62.6	62.4
	Private sector employees	64.4	64.7
	Self-employed	67.1	68.0
Median age	Total, all retirees	64.5	64.6
	Public sector employees	62.3	61.7
	Private sector employees	64.8	64.7
	Self-employed	66.4	66.8

- New research[6] indicates biological age may be much younger than chronological age, which means you may need to plan on making retirement income withdrawals based on that, instead.

Whether you have to work longer than anticipated, choose to continue working to stave off boredom, or are someone who wants to know how to save enough to retire early, there is much to live for and look forward to in later years. The key is to plan now for the kind of future *you* envision, and to set some specific goals.

Imagine life 10–15 years down the road. How will you live your best life during your retirement years? What possible changes will happen in your life that you can start planning for now?

- What decisions will you **want** to make?
- What decisions will you ***need*** to make?
- What ***goals*** to you have in place to ensure your wants and needs are covered?

5 Source: Statistics Canada. Table 14-10-0060-01 Retirement age by class of worker, annual

6 Source: Plan Your Retirement Around Your 'Biological Age,' Not Your Real Age | Barron's (barrons.com)

Possible Transitions in Later Years of Life

Will you need to work? Many seniors will find that life in retirement will include working to supplement income. This may, in fact, be a positive development, as the social and work interactions provide a vibrant and purposeful life in retirement.

But for many seniors the income sources lined up for retirement will not be enough to cover unanticipated expenses or the cost of inflation on the items they need to buy. They worry about outliving their savings.

***Career Transitions.* Have you thought about how you will manage leaving your career behind when the time comes?** Especially if your chosen career has provided you with satisfaction and purpose, this is an important decision, and one that can be disconcerting for some.

If your career is closely tied to your identity, consider the void that will be created when you're no longer in that career anymore.

Action Item

The point is to start thinking and planning now.

- Will you be okay with that?
- How will you fill your time?

You may even miss the stability of that job and what it offers in terms of creating a routine in your life and providing a built-in social circle.

On the other hand, you may find you're more excited about the prospect of being able to work on your own terms. Maybe you're interested in starting a "second-act career."

If you're thinking about leaving your career for good, you may be wondering about how you'll manage money in your retirement.

- Will you be able to maintain your current standard of living?
- How will you finance your retirement?
- How much money will you need to live on?

There are no *right* answers to these questions, only *your* answers and what's right for you.

Money Tip

The tax return is a good place to look for new money, as seniors have more tax advantages than others, including:

- **The opportunity to split income with a spouse**
- **The age credit for those age 65 and older**
- **The $2000 pension income credit**
- **The disability amount**
- **The opportunity to transfer tax credits from the lower spouse to the higher spouse**
- **Claims for medical expenses**

If you missed making a claim for any of these provisions, it is possible to go back up to 10 years to recover missed refunds. In addition, seniors can take advantage of refundable tax credits:

- **The federal GST/HST Tax Credit**
- **Provincial tax credits based on age**

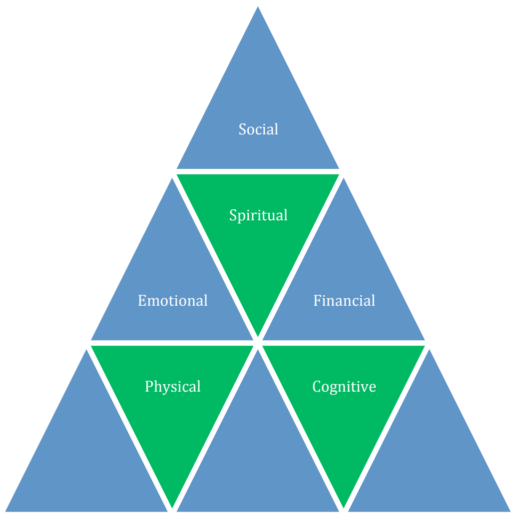
Filing a tax return correctly and on time is very important for low income earners, in fact. You must do so to receive he refundable tax credits mentioned above but also to:

- **Receive your Old Age Security and Guaranteed Income Supplement**
- **Receive provincial tax credits**
- **Receive a refund if too much tax was taken off your part time earnings, your pension income or other sources**
- **Receive a refund of overpaid CPP (Canada Pension Plan) or EI (Employment Insurance) benefits**
- **Receive access to certain provincial health care plans**
- **Qualify for reduced day rates in nursing homes**

Think About It

Your transition to a new retirement or "leisure" lifestyle can be very exciting and can open many new doors for you. But it can also be frightening.

Be sure to consider all spheres of your well-being in setting goals for your new chapter.



Downsizing. Now is the time to start thinking about where you will live as you move through this new stage of your life. There are many questions to answer and decisions to make:

- Will you downsize?
- If you are a renter, will you need to live in a smaller apartment and pay less rent?
- How big is the house you live in or the property you're currently maintaining?
- In 10-15 years, do you see yourself still mowing a large yard, cleaning a 4-bedroom home, or shoveling a long driveway?
- Or are you ready to move to a smaller home?
- If so, what will that mean for your lifestyle?

If you're thinking about downsizing, you might be wondering if you'll be able to sell your house in the current market.

- What would you have to do to sell your house today?
- Would you need to do small renovations to make it ready to sell?
- What would you do with the extra furniture that would not fit in your new home? Perhaps you will need to have a plan for the items you no longer need. Storage costs can add up and bite into your retirement budget. Maybe you want to sell your house and move to a province you've always loved to visit, move to another country where the cost-of-living is less, or relocate nearer to kids and grandkids.
- Have you had preliminary discussions with a spouse, or other family members, about this?

Money Tip

Speak with a financial professional who help you set up a plan to stay disciplined towards your goals and maximize your retirement income payouts — so that you can retire when you want to.

Action Item

A good place to start planning for this possible transition in your life is to create a financial plan. You might want to consider hiring a financial professional to help you prepare for the transition

***Loss of a spouse*. This life transition brings a barrage of change that will need to be managed:**

- If you're married, how would your spouse's death affect your finances?

While we may be living longer, many people don't realize losing a spouse can be a reality. The research suggests it may be more common than once thought. According to a report from BMO Nesbitt Burns®[7]

> "There's a 50% chance that at least one member of a couple aged 65 today will live to celebrate a 90th birthday, and a one in four chance that one will live to age 94. The odds are that person will be a woman. What's more, the loss of a spouse doesn't only happen in old age — the average age for widowhood in Canada is 56."

Money Tip

Make sure you are familiar with your household's finances. This includes knowing all the accounts, investments, and debts you share individually and as a couple. It's also important to make sure you could access all your shared and individual accounts in the event of your spouse's passing

7 Source: BMO NB Article - oct 31.pdf

Action Item

Having a conversation well in advance can mean one less thing a grieving spouse has to deal with. Even though you don't want to make any rash decisions, it can be a relief to have an open discussion about the "what-ifs" to ensure you're prepared from a financial standpoint.

Of course, no one wants to contemplate this. The financial impact of losing your spouse can be something you never recover from. It is therefore important to think about questions to ask in anticipation, and decisions to be made:

- How would you cope with a devastating loss that would impact so many areas of your life?
- If you're widowed, how much will you need to help make sure you're financially protected?

Recognizing that more women than men may face widowhood and that they tend to be the primary caregivers in their homes, the loss of a spouse can be financially devastating.

But it is noteworthy that this reality is true in non-traditional families as well.

When couples think about their financial future, a crucial step in the planning process will include calculating:

- Will there be a potential loss of income with the death of a spouse?

- How the surviving spouse could make up the shortfall?
- Will there be more tax to pay?

A life insurance plan can be an affordable option to provide a lump sum of tax-free cash to help the surviving spouse maintain their lifestyle.[8]

***Health needs*. As we know, health is wealth. It's so important to eat healthy, take care of your body and mind, and get plenty exercise.** It's how we're able to enjoy retirement for many, many years. That's why starting wellness routines now can increase your chances of healthy aging. What decisions need to be made around your health risk management?

8 O'Donnell, Jill and Jackie Porter. Single by Choice or by Chance. Insomniac Press, 2016.

- What are your current health needs?
- Are you being proactive about caring for your health and getting regular checkups?
- How will your health needs change over the next 10–15 years and beyond?
- How will you finance your health care needs over the years?

Even with diligent planning, there may be health issues you can't anticipate. Along with that, the exact costs of health care are unknown to us right now — other than an educated guess that the cost for medications and medical treatment, retirement communities, senior living centers, and long-term care will likely increase in future years.

Setting Goals for the Future

As you think about what you want for your retirement years, and you consider the many changes that could happen between now and then, it's probably becoming clear that for things to go according to plan—we first need a plan.

Just like you need a map to get to where you want to go. But a map isn't much use if you don't know your destination, right? Your ideal retirement is your destination.

- So, what's your ideal retirement look like?
- What's your vision for living your best life?

Maybe you plan to travel or spend your time with grandkids. Maybe you want to take up a new hobby or train for an entirely new career. Maybe you want to buy that cottage in the country you've always had your eye on or give your time volunteering to a favorite charity.

Action Item

Whatever you choose, you'll need a "map" to help you get there. That's where the guidance of a financial professional can be helpful—working with you to put together a plan for you to reach the goals you have for retirement. It can be good idea to have family members, in addition to a spouse, be part of these discussions.

To get started on your plan, you'll want to get a clear picture of where you are today, where you want to be, and what you want to do with your time.

The following questions can help you get started.

- What do you know now about your finances?
- What do you want to know?
- What financial goals do you have?
- Are you on track to meet your goals?
- What will you need to do to get there?

Once you have a plan, you're halfway there. The next step is to take action.

Decisions You'll Need to Make and Factors to Consider

There will be many decisions you'll need to make in the years leading up to and through retirement. It's important to have professionals you can trust to help provide information you need and guide you in making the right decisions at the right time. You'll need to make decisions about investments to make in your future and how you will protect yourself from the unknowns. These decisions will have a big impact on your retirement. You'll need to make decisions about your estate plan, which includes how you'll distribute your assets to family members and others.

Each new chapter of your life is an exciting time, full of possibility. You want to make the most of it. A big part of that is having your financial life in order. It's not just about making and having more money.

It's about being good stewards of our money. Money is a tool. The key is to learn how to use it most effectively. Many people refuse to look at their money situation—they find it overwhelming or even scary. A financial professional can help make it easier and shed some light on your finances so you can make informed decisions and if necessary, course correct sooner rather than later.

With a financial plan in place, you'll be in a better position to make the most of your retirement years. The best way to do that is to take the time to think about your goals, dreams, and aspirations. Finding the right retirement plan for you and your family is an exciting and rewarding experience.

Estimating Income and Expenses

It's important to have a baseline understanding of your income and expenses so you can create a plan for both short-term and long-term goals. Also, looking at your projected income and expenses for retirement now can help you spot any potential income gap and devise a plan for how you will address it. Budgeting, as much as people don't like to think about doing it, is important at this senior stage.

Money Tip

A tax professional can help you compute your income taxes payable at tax filing time and make sure you don't pay extra interest or penalties on your taxes due. Be sure you know the tax implications of each of the sources of income you will receive and how they affect your social benefits and tax credits.

As you bring in more income sources, it is possible that some of your tax free income sources from refundable tax credits, for example, may be reduced or eliminated. That's true of various government income supplements as well. Be sure you understand how the size of your net income and taxable income will impact those benefits.

Your expenses should include the following:

- Fixed monthly expenses, such as mortgage, rent, utilities, and insurance
- Variable monthly expenses, such as groceries, pet care, fuel, utilities, health care, clothing, and entertainment
- Short term financial savings goals, such as emergency funds, or other short-term savings needs
- Long-term retirement investment goals, such as paying off a mortgage or building an inheritance for your heirs

Income can include:

- Canada Pension Plan (CPP) Benefits
- Old Age Security (OAS)
- Pension benefits from an employer-sponsored pension or Registered Pension Plan (RPP)
- Registered Retirement Income Funds (RRIFs) Locked in Retirement Income Funds (LRIF)
- Annuities
- Registered savings plans, such as a Registered Retirement Savings Plan (RRSP Locked in Account (LIRA)) or Tax-Free Savings Account (TFSA)

- Non-registered investments, such as stocks, bonds, mutual funds
- Passive investment income such as dividends, interest, or rental income
- Dividend income from a small business corporation
- Capital gains or losses on the sale of an asset
- Cash in checking or savings accounts (liquid assets)

Its important to look at your income sources compared to your income needs to identify any potential shortfalls as soon as possible.

A financial professional can use financial calculators to help you project, plan for, and manage retirement expenses. They can also help you to forecast the rate of return your investments will need to earn to keep your retirement plan on track.

Managing Health Care Risks

Health care costs are one of the biggest expenses in retirement and while some may be covered by government programs, it can be a mistake for people to assume the government will look after them.

With baby boomers retiring, the number of people paying taxes into various government programs will drop, at the same time that costs of health care for this large cohort is expected to rise dramatically.

This is why health care spending – and budgeting for it—is a top concern for so many of those thinking about retirement. You might have questions like:

- What will my current health plan cost in retirement? Is it worth keeping?
- Will my employer include cost projections for health care in my retirement package?
- What will my prescription drug costs be by the time I reach age 65?
- Will one of us need long-term care at home or in a facility in our senior years?
- Is there any way to reduce my health bills in retirement?
- Are there any tax breaks I should be knowledgeable about?

Think About It

The cost of elder care is expected to double to $60 billion annually by 2031, when older baby boomers need to seek higher levels of care. A study commissioned by the Canadian Medical Association[9] estimates over 600,000 patients will need long-term care, compared to 380,000 in 2019. The demand for home care, currently serving 1.2 million patients, is also expected to increase to 1.8 million, which will cost close to $500 Billion over the next 10 years.

Further, according to the Fraser Institute, by 2040, approximately one quarter of Canada's population will consume close to three quarters of the government's inflation-adjusted health-care budget[10].

Every individual and couples too, will very likely need to make plans for covering the cost of health care, and this will not be inexpensive. This was estimated to be over $7000 per year per person in 2019, but, at a 2.5% inflation rate, this is expected to be well over $9400 per year in 2031[11].

Dental care is rising by 6% per year and these costs are often overlooked; 43% of adults between 60 and 79 have root cavities that can be very expensive to correct[12].

9 https://www.cma.ca/sites/default/files/pdf/health-advocacy/activity/CMA-LTC-Deloitte-Report-EN.pdf

10 https://www.fraserinstitute.org/article/health-care-spending-may-spike-by-88-per-cent-due-to-canadas-aging-population

11 https://smartasset.com/investing/inflation-calculator#T5a2SdJ9xN

12 https://www.pac.bluecross.ca/personal-health/retirement/retirement-whathappens/

The good news is you can take steps now to create a plan to cover the costs of health care needs down the road.

Money Tip

Be sure to include the cost of health care in your financial plan. This expense can often be overlooked, if group health care coverage has always been deducted from your paycheque in the past.

In retirement, those costs will be transferred to you and it's important not to underestimate them. You will want to manage health risk before you leave your employment:

- **Health Care Plan Extension in Retirement.** In some cases, it is possible for employers to continue to pay these premiums on behalf of a retiring employee as part of their retirement package. Such payments will be taxable.

- **Health Spending Accounts.** Incorporated businesses and some proprietorships are allowed to set up HSAs by the CRA (Canada Revenue Agency). This includes corporations with as few as one employee, which can include the shareholder, or proprietorships (unincorporated businesses or sole proprietors) with at least one arm's-length (non-related) employee.

  Contributions made to the HSA by the employer on behalf of the employee are deductible by the employer but not reported as a tax benefit to the employee (however these rules differ in Quebec). Should the employee pay any premiums to the plan, the premiums are deductible as a medical expense. This includes payments to medical and hospital plans like Blue Cross.

- **Tax Free Savings Account (TFSA).** Earmarking your TFSA for emergency health care costs can make sense. While there are annual contribution limits, there are no tax consequences for withdrawing either the principal (which is funded with pre-tax dollars) or the earnings (they are tax free). You can also re-deposit the earnings and the principal (subject to some timing rules) later.

- **Critical Illness Insurance.** Unfortunately, in Canada, we don't have a separate tax free or tax deferred Health Savings Account (HSA) as they do in the United States, which can be used to pay for qualified medical expenses in retirement. However, it is possible to buy critical illness insurance privately with after-tax dollars. This will allow for a lump sum, tax free payment of funds to cover expensive life-saving medical treatments. You will be able to decide how to spend the money – on debt, on travel to seek medical attention, on medical devices, etc. There are no restrictions on how you use the money[13]

  The cost of critical illness plans can be expensive, so it's smart to have alternative methods of paying for medical expenses as they occur throughout your lifetime.

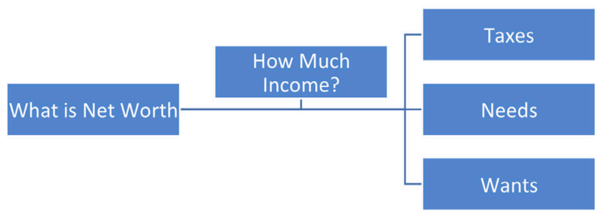
- **Permanent Life Insurance Policies.** Another option to consider is building cash in a permanent life insurance policy, which generally can be withdrawn tax free should you face a disability or long-term care crisis. To qualify for this benefit, you will need to prove you cannot perform the duties of your occupation in your working years or you cannot carry out 1 of the 5 activities of daily living. You will also automatically qualify if you lose your cognitive function. Investigate insurance options by carefully looking at the drawbacks and strengths of each option with a qualified insurance agent versus self-funding.

  A good practice when analyzing insurance options is to look at the drawbacks and strengths of each insurance plan with a qualified insurance agent and compare it with self-funding.

Projecting Your Financial Position

After you know your income and expenses, you can calculate your net worth.

Income (Assets) – Expenses (Debt)
= Financial Position or Net Worth



You might think you're doing well financially if you earn a high salary. But the truth is, you can have a low, or even negative net worth, no matter what your income is. That's why it's important to calculate your net worth — to see what you really have — which is what you own compared to what you owe. This is a truer picture of your financial situation.

Action Item

- **Consider working with a professional if you are carrying to much debt**
- **A tax professional can help you claim more provisions on your tax return, to increase your tax refund and refundable tax credits, which can help to pay for some of your costs.**
- **A tax professional can also help you apply for Guaranteed Income Supplement, your provincial health care plan and other provincial provisions unique to seniors.**
- **Consider working with a financial professional to help you evaluate your income options when it comes to your investments and identify what income withdrawal strategy – that is the amount and order of withdrawal from investment accounts—may be right for your specific situation.**
- **How you negotiate your retirement package is important. You may wish to negotiate a salary continuation package or a buyout rather than a lump sum retirement allowance payment on your retirement. Salary and health care benefits will continue for a period of years, in that case, depending on your longevity with the employer. However, these continuity payments will have different tax outcomes than a retiring allowance.**
- **Consult with a tax advisor to determine the after-tax value of your retirement package and how to minimize taxes on your retirement income and health care costs**
- **Shop around for health care plans and look into what your current plan will cost after you retire from your employment, as you travel in retirement, and what happens to health care insurance costs when you suffer a health consequence in the future.**

Sample Net Worth Statement

		ASSETS	LIABILITIES	NET WORTH
ASSETS: Financial	Cash			
	Employer-Sponsored Pension Plans			
	Private Registered Accounts			
	• TFSA			
	• RRSP			
	• RESP			
	• RRIF			
	Non-Registered Accounts			
	Insurance			
ASSETS: Non-Financial	Principal Residence			
	Cottage			
	Other Personal Real Estate			
	Rental Properties			
	Business Assets			
	SUBTOTAL: ASSETS			
LIABILITIES	Line of Credit – Personal			
	Line of Credit – Business			
	Credit Card Debt– Personal			
	Credit Card Debt – Business			
	Car Loan – Personal			
	Car Loan – Business			
	Tax Debt – Personal			
	Tax Debt – Business			
	Mortgage – Principal Residence			
	Mortgage – Other Personal			
	Mortgages – Rental Property			
	Other Long Term Debt			
	SUBTOTAL: LIABILITIES			
NET WORTH	**ASSETS-LIABILITIES**			

Money Tip

Focus on maximizing your net worth — especially prior to retirement. To help increase your net worth:

- **budget—keep track of where your money is going**
- **invest in appreciating assets – inside and outside of registered accounts**
- **consistently build up your savings – even in retirement**
- **withdraw only what you need – keep the rest invested**
- **discuss debt repayment strategies with a professional**
- **pay down tax debt first – the interest costs are high and CRA has broad powers to enforce payment**
- **pay down non-deductible debt next**
- **don't forget to factor in the taxes you will need to pay in advance, in quarterly instalments. But don't prepay more tax than you need to.**

Action Item

Now that you've learned why and how to identify income sources (assets) and expenses (liabilities) and calculate your net worth, it's your turn to take practical steps.

- Take some time to add up your current assets and liabilities
- Meet with a financial planner to determine what your net worth will need to be in retirement.
- Review your net worth at least once per year to ensure you're still on track to meet your goals.

Managing Risk In Your Portfolio and Choosing Investments

It can be daunting to choose investments for retirement and then worry about what the market ups and downs will mean for your nest egg. You may have many questions:

- Should you react to market fluctuations and if so, how often?
- When is the right time to sell investments to take advantage of the market?
- What is the right time to buy investments?
- What are the tax implications of buying and selling investments?
- What are the fees associated with buying and selling investments?

Money Tip

When making investment decisions look for investments with a long track record (5 years or more) that provide a reasonable fee for the return you are earning. Ask for third party information to assess how the investments compare to similar investment options available in the marketplace.

Money Tip

It pays to know your investment numbers.

- **Speak with a financial professional on the minimum rate of return your portfolio needs to earn to ensure you reach your goals at retirement and beyond.**
- **Judge performance based on increases or decreases to your personal net worth over time.**
- **Take taxes and the cost of investing into account.**

The truth is, watching market fluctuations may be good for the news business, but it is an extremely unhelpful way to understand how your portfolio is doing, and what the impact of daily changes will have on the longevity of your portfolio.

You will also need to assess if your current investment strategy is working for you based on your risk tolerance and when you plan to retire. A financial planner will discuss the options available to you to ensure you will meet your retirement goals based how much in assets you have accumulated and the sources of income you will have access to in retirement.

A customized investment strategy developed with your investment advisor typically includes how your investments should be structured and what investment options are available to meet your short-, medium- and long-term investment goals. You will likely have a range of investment options available. They could include making registered and non-registered contributions into stocks, bond, or money market type investments or a combination of all three. Questions to consider:

- What is a non-registered account?
- What is a registered account?
- What are the restrictions for investing in each, and the tax implications?

Think About It

- **How many decades will you live in your retirement?**
- **How will your goals change in each?**
- **What financial decisions will you need to make in each decade?**
- **Have you considered all aspects of your needs?**

There are many types of investment solutions in the marketplace, and the key is selecting the one that makes the most sense for your circumstances. A financial planner or wealth manager can help you navigate the myriad of investments to choose from.

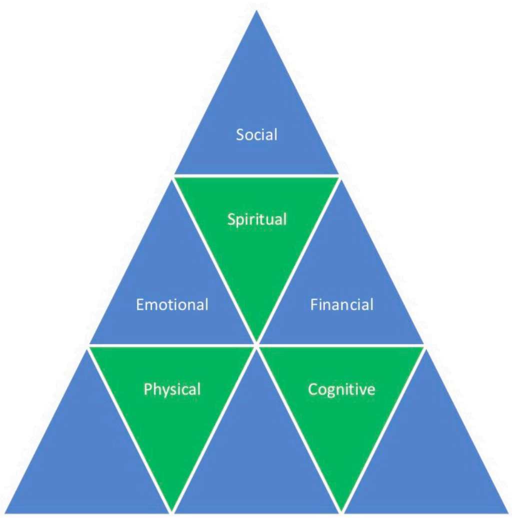
Action Item

Meet with a financial planner to assess how your portfolio is doing and what type of income it will provide for you in retirement.

- **Are you on track to meet your goals? The sooner you know the better.**

Your Retirement Horizon

What is your retirement horizon? What are your financial goals in each decade of your new life chapter? What decisions might have to be made in anticipation of each decade? Are you thinking of the "whole you"?



Fifties:

- Are you helping pay your children's college tuition? How much should you take on and how will that affect your retirement nest egg?
- Are you still paying a home mortgage or car payment? How will you pay off this debt?
- Are you able to ramp up your retirement savings?
- Have you talked to a financial professional about your retirement and estate plan as you near retirement?
- How much will you need to save?
- What type of lifestyle do you envision?
- Does your lifestyle in retirement address how you will maintain your health as you age and include physical activity?
- Are you in good health now do you have regular checkups?
- Have you established a Will and Power of Attorney (POA)?
- Have you investigated the cost of life insurance versus pre-planning?

Sixties:

- How will you maintain physical activity as you age?
- Do you have a plan for healthy eating?
- What social circles are you in, or could you join, to aid in emotional well-being?
- Have you planned for long-term health care needs?
- Will you work full-time, part-time, or not at all?
- What places would you like to travel to?
- Do you need to make any changes to your Will or POA?
- Are your pre-arrangements aligned with your values at this time?
- Has your spending changed over this decade? Where is your money going now?

Seventies:

- What is the current state of your health?
- Will you need help around the house, or modifications to your home, to help with personal care needs such as eating, dressing, taking medication, or general safety as time goes by?
- Is your home close to medical care? Would that be a factor in staying long term?
- Have you established a home maintenance plan so that your loved ones who know what essential tasks in your home need to be done in case of an emergency?
- Do you need to make changes to your dietary needs as you age?
- Have you established a POA or a Will? Does it need updating? What about an Advanced Care Directive?
- Have your spending habits changed? What are you spending money on currently, and what is the impact of this spending on your long-term financial health?
- Are your financial documents organized and could your Executor and POA locate them?
- Do you need to revise your estate plan to include grandchildren?
- Are there any volunteer activities you'd like to participate in to give back to your community?
- What physical activity can you do at or near your home?

Eighties:

- Do you or family members have concerns about your ability to drive? If you were unable to drive, what options do you have for visiting a medical professional or running errands?
- Are your loved ones and POA aware of the professionals who make up your health care team? Are names of doctors and healthcare professionals and any prescriptions easily accessible to them?
- Do you still love where you live? Will modifications be required to stairs bath etc. to continue to live there, or will you move to an assisted living facility?
- Is your POA equipped to help you with managing paying your bills in case of an emergency? Do you have a list of your bills with usernames and online passwords?
- Do you need to revise your retirement budget to reflect spending more on healthcare? Do you need to revise your financial plan to reflect this?
- Should you consider adding your POA on your bank and investment accounts?
- Are you thinking of passing on funds to your children/ grandchildren now? What would the impact be to your financial plan?
- Are you enjoying life to the best of your ability?

Nineties:

- Have you shared your life stories with friends and loved ones?
- Would you like your life story to be documented and passed on to loved ones?
- Do you need to update beneficiaries, executors, or POAs named in your estate plan?
- Do you need to update your Advance Care Directive?
- Are their any specific items not named in your will that you want to pass on to certain family members such as heirlooms, jewelry, or furnishings?

Think About It

As you move to and through retirement, you'll encounter many stages along the way. A financial trigger will occur, which will kick off a new stage in your life. At each stage, you'll be doing roughly the same steps:

- **start a conversation with your financial professional,**
- **discuss your current situation,**
- **make a plan for how to meet your goals for this stage in your life,**
- **consult with stakeholders in your life about what changes will be made, including:**
  - **adult children**
  - **close and trusted friends**
  - **other important support networks in your life**
- **anticipate successful outcomes in the future.**

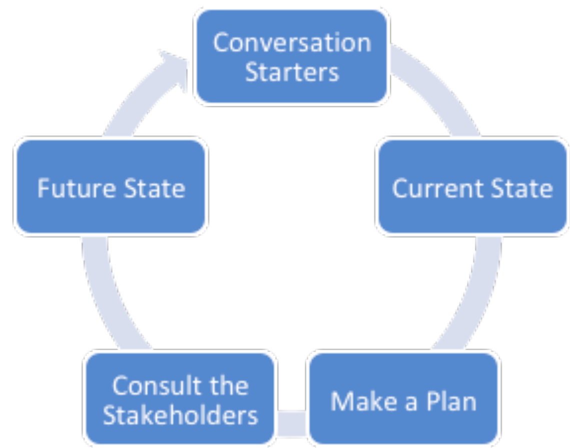
- Do you need to update your financial plan to address your longevity? What is your current budget for healthcare costs?
- Are you spending time doing your favorite hobbies?
- Is there anything you'd still like to check off your bucket list?
- Have you left specific instructions for final arrangements, if this is important to you on how you would want to be remembered?

Since this same cycle happens multiple times, it might be helpful to think about it like a flywheel. The flywheel minimizes friction and uses momentum to gain maximum energy for minimal input. Then it continues to spin and spin in harmony with the prevailing winds of the day:

Once you get your financial flywheel going, the process becomes smoother and more efficient as time goes on. All you have to do is get it started by initiating that first conversation with your financial professionals. This can include:

- financial advisors
- tax accountants
- legal advisors

With their expertise, they can help guide you from there on how to complete important tasks.



Roles. You may need a certified financial planner who help their clients to build a financial plan, an insurance agent who provides insurance solutions, a private wealth manager or investment advisor who helps their clients manage investments.

Many advisors in the marketplace may also hold other types of credentials. Seeking out advisors who have pursued additional educational requirements specific to their industry is a good place to start.

To find a financial professional:

- Turn to trusted people in your life, such as friends, family, colleagues, other trusted professionals like your accountant or lawyer for referrals.
- Do an online search via Google or LinkedIn, check out the professional's website, and look for third party endorsements.
- Reach out to your local Chamber of Commerce for potential names.
- Attend educational events held by financial professionals.

Once you've narrowed down your options, do your due diligence to evaluate them:

- Contact your provincial Securities and Insurance Commission to check for any complaints against the financial professional.
- Meet face-to-face and ask any questions you have.
- Be prepared to share what you're looking for in a financial professional.
- Ask them about their credentials, what they mean, and how they add value to clients they serve.
- Ask them to clearly describe how they get paid and what fees you would pay as a client.
- Bring a friend to the meeting if you need support.
- Trust your gut when deciding. You want to work with someone you're comfortable with as talking about money isn't always easy to do.

Choosing a tax accountant is as important. This trusted advisor will help you:

- File family tax returns every year
- Compute required quarterly instalment payments
- Understand how to minimize the tax on retirement income portfolios
- Help you to split income with your spouse
- Compute taxes on large one-time transactions, like severance packages, the sale of a home or cottage, sale of financial assets or a business
- Plan asset transfers tax-efficiently throughout your lifetime and in anticipation of death
- Discuss the tax implications of life events like births, deaths, marriages, divorces, illness and incapacity.
- Consider working with a designated professional. For a list of designations for tax professionals consult CPA Canada or Knowledge Bureau

Finally, choose your legal professional and work proactively to put important legal documents in place:

Action Item

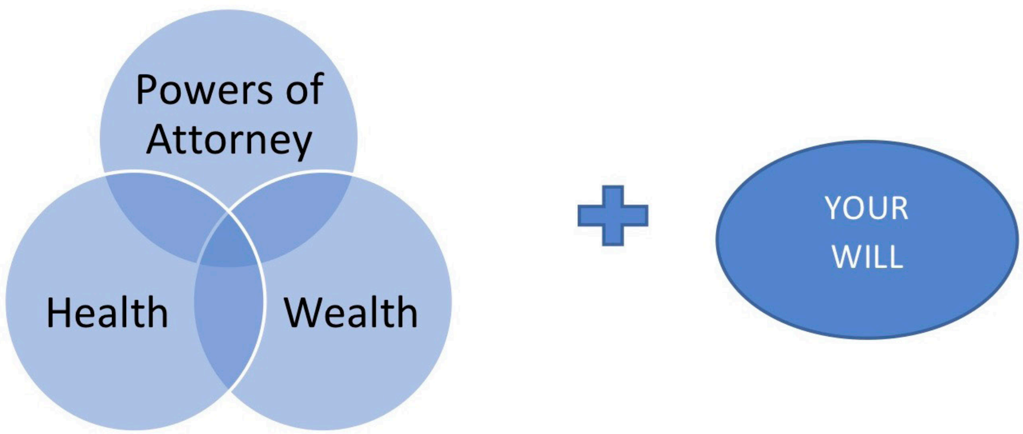
Speak to adult children and/or other trusted people in your life. They will need to be there for you and be part of your plans and understand them, should you become incapacitated or need help with your will.

If you don't have a financial professional, first consider the type of advice you're looking for. Financial professionals have different services and products they offer, so you'll want to find the one that's right for you.

Arranging Legal Documents

Before you reach retirement, there are a few important legal documents you'll want to put in place. These documents include powers of attorney, advanced care directive, and at least one will, depending on your circumstances.

It is important to note when you are thinking about doing some planning for incapacity and your estate that rules will differ from province to province. In general, the documents you will want to draw up are a Power of Attorney, a Care Directive and a Will and you will want to discuss this with a lawyer to make sure the proper documents are in place.



Money Tip

In some provinces these documents will be called different things: a "representation agreement" in B.C. for example, or a Protection Mandate in Quebec. Each province will also have different drafting requirements around certain powers or legislative considerations.

Powers of Attorney. A power of attorney (POA) is a legal document that allows an individual to appoint someone to act on their behalf. You name someone to act as your attorney-in-fact if you become incapacitated. This could be a family member or friend or someone else. The POA gives that person the authority to act in your place, making decisions on your behalf.

POAs can cover personal decision making (such as living and care) and property management.

Powers of attorney are important for several reasons. They can help you:

- Manage your affairs if you become incapacitated or unable to act on your own.
- Avoid costly financial mistakes.
- Avoid financial abuse from others.
- Get the most out of your life insurance policies.
- Avoid tax penalties.
- Coordinate care with loved ones.
- Avoid unnecessary medical procedures and treatments.
- Make your wishes known.

Advanced Care Directive/Living Will. Advanced care directives typically deal with end-of-life ***medical*** decision making.

A living will, also referred to as an advance healthcare directive, is a legal document that allows a person to specify what kind of medical care they want in the event they become unable to communicate their wishes due to illness or incapacity. This document is essential to have in place to ensure your loved ones understand your wishes should you ever face a medical crisis.

Living wills are important to have in place because they can help you:

- Think through how you would want to be cared for if you are incapacitated
- Avoid unwanted or burdensome medical procedures
- Avoid expensive medical bills
- Reduce the cost of long-term care
- Save family members from stress of making medical decisions
- Authorize whether life-sustaining measures to prolong death will be used or discontinued

- Spare your family from arguments and legal battles
- Prepare for health care decisions ahead of time

Wills. Another essential component of estate planning is preparing a Will. A Will is a legal document that outlines how your dependents will be cared for and who will receive the assets to be distributed after you're gone. You can provide as much detail in the will as you wish to ensure your instructions are clearly understood. Your executor is the person appointed to carry out the last wishes outlined in your will. Keep in mind, there are different types of wills that serve different purposes. Wills are essential documents to have in place because they can help you:

- Identify the loved ones you will name as beneficiaries for the assets you leave behind
- Allow you to identify who will care for minor children or children with special needs without the intervention of the courts
- Prevent your heirs from spending additional time and money settling your affairs
- Get the assets in the hands of your loved ones sooner rather than later
- Reduce your estate taxes
- Keep your assets out of the hands of people you never intended to have them
- Minimize the chances of legal conflicts over your assets by loved ones
- Set up a trust to provide ongoing income to beneficiaries and keep assets in the family

Money Tip

YOU DON'T NEED TO BE RICH TO HAVE A WILL

There is a common misconception that you need to have significant assets to write a Will, or perhaps that your circumstances need to be complicated. This is simply untrue. Keep in mind that without a will, provincial or territorial laws will determine who gets your assets.

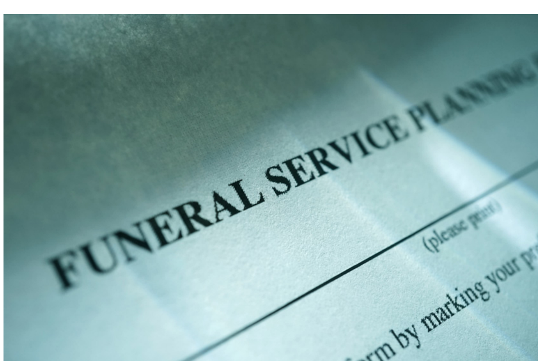
Ask yourself:

- would you want someone else to choose who should get your assets, or who will take care of your loved ones?

A Will is your last opportunity to ensure your intentions for assets built up through your working life are placed in the right hands after your gone. Consider this, if you didn't get to enjoy the assets — no matter how large or small your nest egg grew during your retirement — who would you want to leave it to?

Action Item

- Do make an estate plan. Remember you are more likely to squander more of your estate to fees if you don't have a Will because the courts would need to spend more time figuring out where your money should go.
- Create your estate plan sooner rather than later. Update your Will on a regular basis, especially after a major life event such as a birth or death. Don't procrastinate on this important task, as it can create havoc for the people you leave behind.
- Think about the individuals you want to involve in your estate plan. Who will occupy the role of your Power of Attorney, make decisions about your care when you can no longer speak for yourself and execute your wishes as an executor?
- Who in your life is equipped to handle the responsibilities associated with managing your health and financial affairs?
- Make a list of the individuals you are considering and discuss your intentions with them, keeping them in the loop on what would be expected of them.
- If you are single and have no dependents, think about the extended family you want to support. This could be a niece or a nephew you may be close to or perhaps a favorite charity you want to leave a legacy to.



CHOOSE WISELY: This can be an easy decision if you have a spouse or common law partner. However, if you are a widow or single person who does not have children, what are your options? Often a person who is occupying the role of an attorney under a POA should be someone who would be comfortable working with your family and who communicates well with them, especially at a very stressful time. You also want to ensure they can locate your crucial documents when the time comes, so it's important you have your financial documents organized.

Taking on a key role in any person's estate plan is not always easy. There can be a number of hats a person in that role must wear. In fact, it's not uncommon to refer to them as a detective who must locate your documents or a therapist who must deal with your family and the administrator of your affairs.

Remember you can elect more than one person to fill all these roles. Perhaps you have a loved one who would be excellent caring for you and another friend or family member who would be a wiz and staying on top of your finances.

The important thing is to enlist them and find out how comfortable they would be in taking on this role. Depending on the complexity of your estate plan, or size of your estate, you may hire a professional executor who can manage your estate typically for a fee of 3 to 5 percent of the value.

Funerals — Pre-Planning

Thinking about and planning for your funeral can be difficult to discuss, but it doesn't have to be morbid. Think about it like a gift to your grieving family members. When you pre-plan, they aren't burdened with the cost or decisions involved while also dealing with losing you. Instead, they can focus on celebrating your life and reflecting on memories.

There are many decisions you can make ahead of time such as:

- Whether you want a visitation, funeral or memorial service, or graveside service
- What photo, if any, would be used at the service or with your obituary
- Where you'd like services to be held
- Who will give the eulogy, speak at the service, and/or officiate
- Who will be the pallbearers and who will write the obituary
- What songs or hymns you want played
- Donations that would be made in your honor
- Who should be notified/invited that your family members may not know

Funerals could range anywhere from $1,500 to $20,000 and more. Would your family members be able to afford that? That cost might include:

- Cemetery plot
- Headstone
- Cremation/Burial
- Mausoleum
- Casket
- Funeral home fees for embalming and preparation
- Transferring fees
- Other specific costs based on your religious affiliation
- The memorial gathering
- Taxes associated with settling your estate

Action Item

Four options can help cover the costs of funeral expenses, which are considered to be personal expenses and so not deductible on the tax return:

Canada Pension Plan (CPP) Death Benefits[14]. This is a taxable, lump sum payment of $2500 provided to those who have contributed to the CPP during their lifetime.

Final expense insurance. A final expense policy does not require underwriting and is typically for individuals aged 50 to 85.

Life insurance policy. A life insurance policy may be available at other ages and in most instances, would require medical underwriting.

Eligible funeral arrangements. The purpose is to save money to cover funeral and cemetery services up to $35,000 on a tax-deferred basis. Contributions are not deductible.

Speak to your tax and financial advisors about the best options for saving for your funeral.

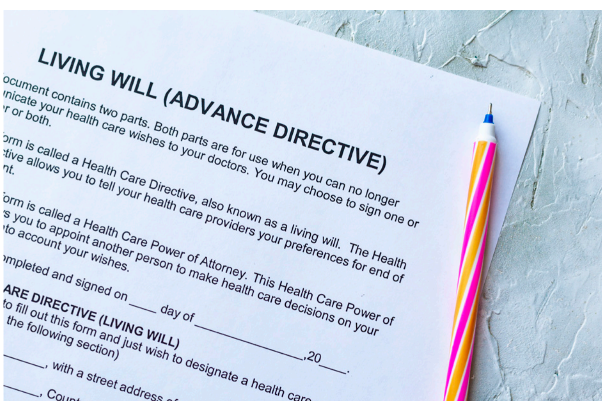
14 https://www.canada.ca/en/services/benefits/publicpensions/cpp/cpp-death-benefit.html#h2.2

Leaving A Legacy: Protecting the Inheritance You'll Leave to Others

When you think about leaving a legacy, what comes to mind? Often, people want to leave some form of a financial legacy or inheritance to friends, family, or a charity. But this doesn't happen by chance. It takes planning and it helps to start with the end in mind.

Perhaps you have another idea in mind.

After you know what your legacy goal is, you can create a plan that will help you get there. Depending on your situation, you may have a few considerations:



Do you own a business that you'd like a family member to take over? You will need to have a plan in place in the event of injury, illness, incapacitation, or death. However not all business owners think about how their business will carry on after they are gone. Estate and succession planning are also critical for ensuring what you want to happen, happens.

Do you own a life insurance policy or annuity contract that would go to your beneficiaries upon your passing? Life insurance proceeds are generally income tax free to beneficiaries, but an annuity may not be. Have you considered any tax implications to your beneficiaries and whether they will be able to maintain their lifestyle after your passing?

Think About It

- What amount of money and assets will cover our own needs in retirement?
- What assets would we like to pass on to beneficiaries?
- Will I be leaving a large estate to my spouse or children?
- Should we be creating an organization that will carry on our causes?
- Should we be leaving family stories, traditions, or values in a more formal way?

Will your children get property? An estate plan can help ensure property is passed on in a way that makes sense for you and your family. There are a few ways to pass property to the next generation. A financial professional can discuss your options that will help you to minimize the taxes when it's time to transfer the property to your heirs.

Is there a charity you'd like to leave a donation to? There are several ways you can give to a charity you care about. This can include naming a charity as a life insurance beneficiary, giving an heirloom or monetary gift, or even donating your investments.

Have you remarried? How is your inheritance going to be split in a blended family? This can be complicated, so speak to a financial professional who can help with estate planning to ensure no one is unintentionally disinherited.

Is there a family cottage? The transfer of the family cottage is often a source of tremendous emotional anguish for all family stakeholders, as it holds so many memories. There are many options for gifting within the family that can help you avoid conflict. Speak to a legal professional about this.

Money Tip

Consider using one or more trusts to provide long term income to spendthrift beneficiaries, or to keep the assets you built, in the family for as long as possible. They are also helpful in keeping assets held in the Trust private and avoiding probate.

Discuss your personal circumstances and estate intentions with your financial professional to assess any planning options that may be available. Depending on your circumstances these discussions may involve the assistance of an accountant or lawyer.

Action Item

- Know the probate laws in your province.
- Review the beneficiaries on your accounts. Make sure they are up-to-date.
- Reach out to a financial professional who can provide important information to consider regarding leaving a legacy and protecting your inheritance for the next generation.

SUMMARY CHECKLIST: WHAT YOU HAVE LEARNED

- There will be several big transitions you'll face in coming years and many possible decisions you'll need to make at each one:
  - retirement planning
  - planning for incapacity
  - planning for end of life
  - planning for succession and legacy
- The decisions and timing will vary person to person, but it's important to start thinking about them now.
- It's very important to set goals for your future at this stage of life. The reason many people don't get what they want out of life is that they don't *know* what they want. Get clarity on that.
- Taxes are a big part of your planning. Be sure you understand the tax provisions that will help you save money at each of the life stages.
- Knowing your current and desired net worth is a critical part of financial decision-making. It can help you steer clear of knee-jerk reactions when markets fluctuate, pay off debt in the right order, and anticipate taxes owing in the future. Be sure to make a concerted effort to assemble the information annually to analyze the progress you are making towards your financial goals.
- The legal documents you need to have in order can help you through difficult life transitions like incapacity and death. These will bring comfort to you and your survivors and help to ensure your wealth stays intact when there is family strife or if you are incapacitated.

ACTION PLAN—HOW TO USE YOUR NEW KNOWLEDGE:

- Sit down with a spouse and/or other family members to discuss the possibility of leaving your career, downsizing, losing a spouse, and potential future health needs.
- Envision your best life in retirement and beyond. Think about everything you still want to have, do, and experience.
- Schedule an appointment with a group of financial professionals to craft a financial plan that will help support your goals, a tax plan that will leave more of your income and capital intact and a legal plan to protect your loved ones as well as your assets.
- Get clear on the legacy you want to leave and start taking action on that now.

TIPS AND SUGGESTIONS:

6 Steps You Need to Take as You Move to and Through Retirement

1. Decide how you'll spend your time.
2. Determine your current net worth and what your net worth needs to be to retire on your terms.
3. Budget for your after-tax income
4. Plan for big expenses: like how you'll cover future health care expenses.
5. Get legal documents in order.
6. Choose what you want to happen if you were incapacitated, or no longer here (Think: medical decisions, funeral details, the legacy you'll leave.) Remember, identifying this now is a gift you are giving to your loved ones.

DISCUSSION ITEMS:

- In your opinion, what are the advantages and disadvantages of retiring early versus late?
- Have you saved enough for retirement?
- What key steps could you take to increase your net worth?
- Could you live a healthier lifestyle? What small changes could you make to what you eat or the physical activity you do that could promote healthy aging and add years to your life?
- What's the next step "first step" you'll take toward your financial goals?

Glossary of Terms

Advanced Care Directive/Living Will: are written, legal instructions in regarding your medical care preferences, if you are unable to make decisions for yourself. A Living Will is different than a Last Will and Testament.

Budgeting: is reducing expenses so your money will last longer. Your financial professional can discuss budgeting as you get nearer to and in retirement.

CPP (Canada Pension Plan) – this is a periodic (monthly) pension plan that all employees must pay into if their earnings are $3500 or more. Because it is a "contributory" plan, it is not available to seniors who have not worked.

Canada Pension Plan (CPP) Death Benefits: is a one-time payment, payable to the estate or other eligible individuals, on behalf of a deceased CPP contributor.

Critical Illness Insurance: can be purchased privately with after-tax dollars and allows for a lump sum, tax free payment of funds to cover expensive life-saving medical treatments. You will be able to decide how to spend the money – on debt, on travel to seek medical attention, on medical devices, etc. There are no restrictions on how you use the money.

Disability Amount: this is a non-refundable tax credit available to people who are markedly restricted in their daily living activities and have a T2201 Disability Tax Credit Certificate signed by a nurse practitioner or medical practitioner.

EI (Employment Insurance): these benefits are paid to workers who have a certain number of hours of service and who have paid into the plan before layoff or termination.

Eligible Funeral Arrangement (EFA): is an arrangement established and maintained by a qualifying person (e.g., a funeral director or cemetery operator) for the sole purpose of funding funeral or cemetery services for one or more individuals.

GIS (Guaranteed Income Supplement): this is a monthly pension paid to low-income earners. A tax return must be filed to receive this.

Health Care Plan: Is health insurance, which can often be offered through your employer. They usually pay some portion of the premiums. In some cases, it is possible for employers to continue to pay these premiums on behalf of a retiring employee as part of their retirement package. Such payments will be taxable. However, if that's not the case, you may need to consider other options to cover health care costs in retirement.

Health Spending Accounts: Incorporated businesses and some proprietorships are allowed to set up HSAs by the CRA (Canada Revenue Agency). Contributions made to the HSA by the employer on behalf of the employee are deductible by the employer but not reported as a tax benefit to the employee (however these rules differ in Quebec). Should the employee pay any premiums to the plan, the premiums are deductible as a medical expense. This includes payments to medical and hospital plans like Blue Cross.

Permanent Life Insurance Policies: offers a death benefit and cash value. The death benefit is money paid to your beneficiaries when you pass away. A permanent life insurance policy is not meant to expire like a term life insurance policy. They usually require medical underwriting.

Powers of Attorney: (POA) is a legal document that allows an individual to appoint someone to act on their behalf.

Tax-Free Savings Account (TFSA): is an account that does not apply taxes on any contributions, interest earned, dividends, or capital gains.

Will: (Last Will and Testament) is a legal document explaining your wishes after your death in regard to your assets and dependents.

Resource Appendix

Barrons – Plan Your Retirement Around Your 'Biological Age'

https://www.barrons.com/articles/retirement-biological-age-51548356662

BMO – Single in Retirement Article

https://www.bmo.com/familywealth/pdf/BMO%20NB%20Article%20-%20oct%20%2031.pdf

FSCO – Understanding Critical Illness Insurance

http://www.fsco.gov.on.ca/en/insurance/brochures/pages/brochure_criticalillness.aspx

Government of Canada – Death Benefit

https://www.canada.ca/en/services/benefits/publicpensions/cpp/cpp-death-benefit.html#h2.2

Pacific Bluecross – Retirement Insurance

https://www.pac.bluecross.ca/personal-health/retirement/retirement-whathappens/

Statistics Canada – Life Expectancy by Province and Territory

https://www150.statcan.gc.ca/t1/tbl1/en/tv.action?pid=1310040901

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