The emotional side of retirement: planning for your new lifestyle

Retirement is supposed to be a relaxing time. You’ve paid off your home, your children are grown, and you can look forward to traveling, enjoying hobbies and spending time with your loved ones.

Even well-prepared retirees can feel rootless after receiving their last paycheque, both personally and financially. After decades of working – whether in a professional role or in caring for children – you may realize, as a new retiree, that your social network is not as strong as you thought. You may also come across medical or other issues in the later years of your retirement that you had not anticipated when you were younger.

A comfortable retirement is about more than sound financial planning.

Decisions about health and well-being – including social lives and travel plans – should go hand-in-hand with financial planning. Here are some considerations that may factor into planning for a happy retirement.

The four phases of retirement

Janet Gray – a member of Ottawa’s Council on Aging and the chair of the Ottawa chapter of CARP (formerly the Canadian Association of Retired Persons), a non-profit organization that lobbies on behalf of older Canadians – divides retirement into four phases. Because of rising life expectancies, Canadians can spend almost as much time in retirement as they did working. Gray warns that retirement can now stretch for four decades, and that each phase can present its own challenges and considerations.

“What are those 40 years really going to look like?” asks Gray. “There are different phases. You can’t just say ‘Ok, here’s what I’m going to do for the next 40 years.’”

Gray’s four phases of retirement are:

1. Active retirement: You are physically healthy and very active.
2. Slowing down: You are physically well, but may begin to alter some activities.
3. Fully retired: You may be settling into a quieter lifestyle.
4. Long-term care: You may be considering a retirement community, where you can find greater personal attention.

With careful investment and other planning, you can remain comfortable throughout all the different phases of retirement.

Staying home or moving out?

One of the most emotional decisions you might make in retirement is whether to remain in your home, where you may have lived for decades or raised your family. You may move to a smaller place, like a condo, which requires less upkeep. Later on in retirement, you may also face difficult decisions about whether you require round-the-clock care from an outside facility.

According to StatsCanada, 2.2 million Canadians used some form of in-home help in 2012 – and that number is growing. There is a wide range of options depending on your situation. In Canada, there are both public and private options, with highly varying costs. If home care is needed, it is best to address the issue earlier rather than later.
Planning your lifestyle

Different people take various diverse approaches to a fulfilling retirement. You may find it rewarding to engage in some sort of work, like part-time employment, volunteering or mentoring young people. Or maybe you wish to spend time outside Canada altogether. Many retirees take this opportunity to travel or move countries. According to a recent Financial Post article, Canadians bought US $2.2 billion in residential property in Florida in 2013.

However you choose to shape your ideal retirement lifestyle, you want to be free to make these personal choices without worrying about your finances. Thinking about the lifestyle you want to enjoy is essential to making the most of your retirement years – whether it involves giving to a charity near to your heart, or having a dream house on the beach.

Expecting the unexpected

The Financial Consumer Agency of Canada warns about two possible pitfalls that could harm your financial security in retirement: inflation and unexpected events.

A professional assessment can help you determine if you have saved enough money to accommodate rising prices, home repairs or sudden illness over a long-term period. These are all issues that could affect how well you cope in retirement.

Even the timing of retirement can come as a surprise. According to an Angus Reid survey quoted by the CBC, more than half of Canadians say they did not retire exactly when they expected to. It is always better to be ready, so you can take full advantage of this exciting time.

Retirement can be the best time of your life – a time to reward yourself after a lifetime of work. To take full advantage of it, you need to plan in advance for your financial, personal and emotional needs. Careful preparation can make a world of difference for both you and your family in the long term.

To make the most of your income and savings, speak to us about exploring the retirement planning solutions available to you. As always, if you have any questions about your accounts or any of the information contained in this newsletter, please don’t hesitate to contact us.

1 Ageing at home and everything that comes with the decision to stay put (July 7, 2015), http://www.carp.ca/2015/07/17/ageing-at-home-and-everything-that-comes-with-the-decision-to-stay-put/

The consequences of dying without a Will

Estate planning and, more specifically, drawing up a Will are important tasks that many Canadians may not feel comfortable doing. According to a recent CIBC survey, almost half of Canadians do not have a Will, and almost half of those without a Will felt they were too young or did not have enough assets. One-third of those surveyed were baby boomers. Passing away without a Will – also referred to as dying intestate – can counteract even careful financial planning and the best of intentions.

Planning in advance for loved ones

Contrary to popular belief, if you do not have a Will, your assets may not be automatically transferred in a way that seems logical or obvious to you. Without a Will, the provincial
government will determine how your assets will be divided. In most cases, judges and trustees will distribute your estate according to pre-determined formulas which may or may not reflect your wishes.

Here is one example of what could happen if a Will is not in place. Michael and Karen, Ontario residents, lived in the same house for 20 years, where they raised their two children, Nathan, 16, and Emma, 19. Michael had always intended for Karen to spend the rest of her life in that house, and for her to manage the family finances. Sadly, when Michael passed away unexpectedly, the family discovered that he did not have a Will, and that the home was not owned jointly with survivorship with Karen.

Karen presumed that all of Michael’s assets would go directly to her, but they didn’t. Since Michael did not have a Will, the family home was divided between Karen and their children. Karen’s portion of her late husband’s assets was not enough to cover the cost of the family home.

This situation caused Karen tremendous added stress during a difficult period. She knew that Michael’s wishes were not being followed. She could not legally control the funds inherited by her children, which she and Michael had intended for their children’s education. This caused a conflict with her teenaged daughter, who was coping with both the loss of a parent and newfound financial responsibility. In addition, Karen could not fully make decisions about the family home and mortgage.

If Michael had left a Will setting out what he intended, the situation would have been much easier for Karen, both financially and emotionally.

Adapting for modern life

Modern families can be complicated. There are often multiple marriages, common-law partnerships, children, stepchildren and grandchildren. In addition, family, succession and income tax laws are complex, and vary from province to province.

Professional tax and legal advice and proper guidance can help you to navigate these complexities, and help reduce future costs and delays in administering your estate once you are gone.

Most importantly, a properly-crafted Will – in addition to a professionally-guided investment plan and insurance policies – can create a more secure financial future for your loved ones.

Protect your estate. Speak to us about exploring the estate planning solutions available to you through our team of experts. As always, if you have any questions about your accounts or any of the information contained in this newsletter, please don’t hesitate to contact us.