

The art of financing your retirement

© The Gazette (Montreal) 2007

Susan Kelly

Saturday, November 24, 2007

"Creative" is a word often applied to the baby-boomer generation, which is largely credited with developing the all-consuming do-it-yourself trend. Accordingly, the over-55 crowd is increasingly finding ingenious ways to underwrite the golden years.

Tracey Greenberg, corporate and employability trainer for Jewish Employment Montreal (JEM), has been studying the resourceful individuals who are 55 and over.

"We found people are working past the traditional retirement age," she said.

So did Montreal-based Desjardins Financial Security, which recently polled 1,505 Canadians and found that 54 per cent of workers beyond age 39 are planning a gradual retirement. Among those already retired, 10 per cent still work at least part-time.

"However, it's not so much because they have to," said Greenberg, "but rather, they're not willing to live with the scaled-back budget retirees in the past were expected to."

Boomers like the good life. A 2005 national poll conducted by Decima Research for Investors Group reported 56 per cent of today's working baby boomers say they plan to get away during the harshest months of winter in retirement, while only 27 per cent of current retirees do the same.

"We also find those just entering retirement still have a lot of energy and a strong desire to contribute," Greenberg said. "And many want to use their retirement or semi-retirement to follow a passion that their previous career didn't allow. They don't necessarily want to slow down, and they want more meaningful occupations."

To assist these people, Greenberg has developed a new program through JEM called Working on Your Own Terms, an information and interactive workshop to be held in the new year. Three two-hour sessions will be devoted to the many issues surrounding re-careering versus retirement.

Participants will explore how to tap into their skills and passion to set new goals, and deal with the challenges surrounding a custom-tailored semi-to-full retirement.

But some investments are also necessary if you want to finance the retirement of your dreams, be it a full or part-time one. Especially if your wish list includes cruises, endless rounds of golf and perhaps a new home. And it's never too late to make a plan, according to Sophie Labonne, a financial planner and investment sales coach for the Montreal and eastern district of Scotiabank.

Of course, you don't want to hear that you should have been doing more or started earlier.

"At any given age, as long as you take positive action, you will be better off in the end," she said. "But you have to have a plan, which is different from just an investment portfolio. You need to take charge."

In her 21 years of counselling clients and training other consultants, Labonne has seen both "horror stories, and beautiful scenarios."

Your retirement plan should start with an assessment of your combined pension income along with your current assets and liabilities. Labonne said this should be drawn up by a professional, who could be an investment management specialist at your bank, or other financial adviser. This person also should help you assess your tolerance to risk while presenting investment vehicles. Then he or she should provide you with several options within the plan, and not pressure you to take one over the other.

According to the latest statistics, fewer than half of Quebecers have a pension plan through an employer.

"Those fortunate enough to have a pension plan need to pay greater attention," Labonne said.

She has seen cases where people don't roll over the pension when they change jobs. Or worse, employed people who have 100 per cent of their company plan in low-paying investments.

Not everyone seems to be embracing this new DIY approach to financing the retirement, though.

"In the past, employers were in charge of your pension plan and you simply took the package that was offered," said Gillian Leithman, founder of Directions Third Age Consultants in N.D.G.

"Today, the retiree is in charge of everything, which many people find stressful."

Her company specializes in helping people cope with the psychological and emotional issues surrounding retirement.

She notes it's natural to not want to think about it at all. After all, the subject includes some very tough topics, such as what to do if you're incapacitated and when you expect to die.

We may want to be financially prepared, but the world of stocks, bonds and amortization is not very user-friendly to most people, Leithman said. Which can cause even more stress.

For this reason, it's essential to have a financial adviser you trust.

She advises taking time to shop around for just the right person to advise you. Begin by getting some referrals from family and friends. Ask them for the names of people they respect and trust. Also inquire if this person really helped them achieve their financial goals.

Realize it's a very intimate relationship, one in which you will have to reveal a lot of information about yourself.

"We're often more open about telling people about our sex lives than our bank balance," Leithman said. "The key is you want to be comfortable with your financial consultant. And you really don't want to be doing this on your own."

Know yourself. Too few people over 55 know their true position when it comes to pensions, said Sophie Labonne, a financial planner and investment sales coach for Scotiabank.

Go to rrq.gouv.qc.ca - the Quebec pension plan website - or call them (1-800-463-5185) to obtain a copy of your report. Then get a report from your work pension plan, if you have one. "So many people don't bring this vital information with them when meeting with their financial adviser," Labonne said.

Make a plan. A good financial adviser or planner should ask you a lot of questions. These should include not only your present financial situation, but also your dreams and goals. Expect the process to take some time while this professional draws up a portrait of you. In fact, you should steer clear of anyone who does not probe, or who seems overly eager to sell you products or services.

Get a yearly checkup. Labonne recommends revisiting your plan with your adviser on a yearly basis, the same as a health checkup. And don't get carried away worrying about month-to-month fluctuations within your portfolio. For the most part, these movements are a natural part of economic cycles.

Be reasonable. If you have started late, don't let your desire to catch up make you greedy. The greater the return on your investments, the greater the risk. And it's better to reap a steady seven per cent from your investments than to risk losing all, Labonne said.

Consolidate credit-card debt into your mortgage or some other more easily managed credit vehicle.

"In my observation, Quebecers are obsessed with paying down their mortgages," she said. "Often to the detriment of putting assets aside for their retirement."

In many cases, paying down other debt may be more important. High-interest credit-card debt can often be consolidated into a mortgage, which will have a much lower interest rate.

Prepare a will and have it notarized. It's natural to not want to think about this.

"It's the greatest gift you could give your spouse or partner," Labonne said, "because it will ensure they will not have the pain of having all their assets taxed or taken away in some other way."

Take a long-term view when planning for your retirement, says Sylvia Lim, author of *Finances After 55* (book and workbook).

"If you retire at 65, your needs and desires will be very different than at 85," Lim said. "Early on you may think more about leisure activities, while later it might be more about home care and such."

Embrace a new way of spending and saving. Living off savings is much different than living from paycheque to paycheque, said Lim, a certified financial planner. It requires a very different kind of budget and very different financial plan.

Unfortunately, the majority of North America's millions of retired people are caught off guard when they make the switch, which may be costly.

Stop procrastinating about saving more prior to your retirement, Lim advises. No matter how far away you envisage that being, it's more than likely you should be saving more.

"If you manage to put aside a mere \$2.75 per day, it will add up to an extra \$1,000 for your RRSP," she said. "Which might make a big difference come retirement time."

"If you really look, you can come up with more ways to save and more creative solutions."