WELL-ADVISED

SUMMER 2021

INVESTING IN THE HOME STRETCH

For most people, investing changes as retirement approaches. The number one concern is usually wealth protection. If markets suffer a severe downturn just before your planned retirement, you want to know your nest egg will remain intact and you'll still retire on time.

Safeguarding a nest egg was easier a generation or two ago. Thanks to higher interest rates, you could simply focus on fixed-income investments and enjoy a secure retirement. But with today's low interest rates and increasing longevity, most investors need a healthy exposure to equities to support retirement lasting two or three decades – or longer.

MULTIPLE FINANCIAL GOALS

This means individuals approaching retirement have to safeguard their nest egg while growing their portfolio. Fortunately, there are various solutions to suit different investors' situations. One solution, for example, includes establishing a separate pool of lower-risk investments that can withstand a market downturn and help fund the initial years of retirement. Meanwhile, you continue investing in a more traditional portfolio designed for potential growth over the long term.

NEW OPPORTUNITIES

Another change in the years leading to retirement can involve the amount you save and invest. Two developments give many people a significant financial boost – their children have launched and their mortgage is paid off. The resulting increase in discretionary income can meet different needs for different people. Some individuals add extra funds to their nest egg to retire earlier, enhance their retirement lifestyle or meet any unexpected costs or health care needs in later years.

A CUSTOMIZED APPROACH

A variety of factors can determine the way an individual's investments may change as retirement nears. Your risk tolerance, marital status, net worth, support of dependants and desired retirement lifestyle are only a few. We'll work with you to develop customized wealth protection and growth strategies that meet your personal investment needs during the home stretch.

DEAN FALKENBERG
Financial Advisor

ASSANTE FINANCIAL MANAGEMENT LTD.
DEAN FALKENBERG CORPORATE LIFE INSURANCE AND ESTATE SERVICES LTD.
#2-11116 100 Avenue
Fort St John, BC, V1J 1Z8
Tel: 250-785-9603
Toll Free: 1-877-461-5140
Email: dfalkenberg@assante.com

Has life changed for you?

Many Canadians found that COVID-19 affected their financial life – either negatively or positively. Due to shutdowns, business owners, professionals and employees have lost income or even lost their jobs. But then there are people who accumulated more savings, thanks to no vacations, dining out, daycare or commuting. The pandemic is a recent example, but any time a situation or event may affect your financial life, please let us know. If you face a challenge, we'll help you cope financially. Or if you're presented with a financial opportunity, we'll help you make the most of it.

TIME FOR AN RESP CHECKUP?

Set it and forget it. That's an easy trap to fall into after opening a Registered Education Savings Plan (RESP). Simply choose your investments, make regular contributions – being sure to trigger the maximum annual Canada Education Savings Grant (CESG) – and watch your investments grow.

The reality, however, is there are things to do. You should check an RESP regularly and make adjustments when required. Following are some of the key factors that may call for changes to an RESP.

MONITOR EDUCATION COSTS

You want to give your child every opportunity to pursue the career of their choice. That choice, however, may change over time – so it's wise to be prepared financially. Say that a child had always wanted to become a teacher, but in the last years of secondary school changes their career choice to dentist. Based on the 2020/2021 school year, the average annual Canadian tuition for education is $4,760, while the annual tuition for dentistry is $22,560.[1]

Other reasons that costs may run higher than expected include pursuing a graduate degree, studying in the United States or abroad, or facing escalating costs for residence or off-campus housing. You need to periodically monitor your RESP to be sure you're accounting for potentially higher education costs. If needed, you can increase RESP funding or commit other investment vehicles to education savings, such as your Tax-Free Savings Account (TFSA).

MANAGE THE RISK LEVEL

A typical RESP holds a large proportion of the plan in equities when the child is young. But when a child nears secondary school graduation, you don't want to risk a plummeting stock market dragging down the value of years of savings. By the time your child reaches their teens, or even earlier, you'll want to be decreasing the allocation to equities and increasing the allocation to fixed income. The degree and timing of lowering your RESP's risk level depend on your personal risk tolerance and number of years to graduation.

MARITAL STATUS CHANGED?

A change in marital status could prompt a subscriber change or the need to coordinate separate RESPs. Say that a single parent with an RESP for their child gets married or now has a common-law partner. That parent can remain as the sole subscriber or add their spouse as joint subscriber.

In the event of separation or divorce, former spouses who had been joint subscribers of an RESP can remain joint subscribers, if they so wish. Or they can have one person open a new RESP and split the existing RESP, with each former spouse as sole subscriber. Other options are available – it all depends on what suits the former spouses. What's important is to specify the rules about future contributions and withdrawals in the separation agreement.

If you're forming a blended family, you may have the option to merge existing plans into one family plan. However, if one spouse's former partner still makes RESP contributions, keeping the plans separate could be more practical. Sometimes the best solution is having a family plan and one or more individual plans. Ultimately, the usual aim is to equalize the RESP amount for each child in a blended family.

[1] Statistics Canada, *Canadian Undergraduate Tuition Fees by Field of Study*, 2021

INDIVIDUAL RESP OR FAMILY RESP?

Typically, parents with one child will have an individual RESP, and parents with two or more children will choose the convenience of a family RESP. But the plans have a lot in common, so the choice often comes down to personal preference. If you open a family plan as soon as you have a child, but end up not having more children, the family plan can function perfectly well for just one child. Multiple individual plans can generally meet the same financial goals as a family plan – and you can transfer funds between individual plans, provided the child receiving the funds is under 21.

There are a couple situations when one plan is the clearer choice, and the main one involves who's opening the plan. A family RESP must be opened by parents or grandparents of the children, but an individual RESP can be opened by another relative, family friend or anyone. Another situation is when there's a large age difference between the youngest and oldest child, in which case individual plans may offer more years to make RESP contributions. ■

WILL YOU NEED LIFE AND HEALTH INSURANCE IN RETIREMENT?

During your working years, many types of insurance are usually considered to be necessary. For example, life insurance protects your family's financial security and disability insurance protects your income. In retirement, life and health insurance is to a large extent optional, but may still be regarded as essential to many retirees.

DISABILITY AND CRITICAL ILLNESS INSURANCE

You won't be getting disability insurance once you've stopped working, as this coverage replaces your income from employment or self-employment. Also, disability insurance typically offers coverage up to age 65.

Critical illness insurance policies are available that provide protection up to age 75 or for your lifetime, but you need to purchase such a policy by age 65 or earlier. Premiums are more expensive for coverage during retirement because there's increased likelihood of suffering a heart attack or stroke, or being diagnosed with cancer at older ages. With this coverage, retirees who make a claim are able to preserve retirement savings by using the insurance benefit to cover expenses associated with the critical illness. Expenses could include out-of-country medical procedures, home modifications or nursing care.

LONG-TERM CARE INSURANCE

Generally, people purchase long-term care insurance for one of two reasons. They want to ensure they'll have the funds to cover health care costs if they need long-term care. Or, if they require years of care at a later age, they want to preserve assets they wish to leave to heirs.

Long-term care insurance benefits can be used to cover the costs of home care or a long-term care residence. Benefits are payable if you can no longer properly care for yourself and need help with the activities of daily living, either because of a chronic health condition or deteriorating cognitive abilities.

You can apply for long-term care insurance well into retirement, but if you purchase a policy at a younger age you'll benefit from more economical premiums. Also, if you wait too long, you risk developing a health condition that could make you uninsurable.

Another option is to self-insure. Set aside a sum of liquid investments you can access during retirement to cover any unexpected health care needs.

LIFE INSURANCE

In retirement, you can use permanent life insurance to meet a variety of estate planning needs. Life insurance proceeds can cover taxes payable on estate assets, preserving the value of your estate for heirs. You can balance inheritances among beneficiaries, when one child might receive vacation property or the family business and you name another child as life insurance beneficiary. If you have an adult child with a disability or special needs, life insurance can fund a trust established for their care. As a charitable donation, you can potentially leave a larger gift using life insurance and benefit from flexibility in how you use the tax deduction.

You can purchase life insurance for estate planning before or during retirement. If your estate planning needs change over time, you can apply an existing policy to a new need simply by changing the beneficiary as required. ■

ABOUT PRIVATE HEALTH INSURANCE

In retirement, Canadians can purchase a private health insurance plan that's similar to an employer's group benefits plan, covering costs such as dental care, vision care and many other health care services. Here are some of the approaches and thoughts that different retirees go through in deciding whether to purchase an extended health insurance plan:

- A retiree understands that over time some people will receive a greater amount in claims than they spent on premiums, while others will pay more in premiums than they receive in claims, and they're fine with that situation.
- Some retirees prefer to cover health expenses on their own, satisfied that all payments cover necessary costs, as opposed to paying premiums that may or may not be the economical choice.

- Some retirees view the health insurance purchase as a win-win: if claims are greater than premiums, they come out ahead financially; if they have few claims, they're happy to be enjoying good health.
- Many retirees prefer to budget for steady monthly insurance premiums than face the prospect of larger, unpredictable health costs at any time.
- A retiree might compare the cost of premiums to actual health and dental expenses over a period of one or two years or longer, then use those findings to decide on future coverage.

PREPARE YOUR EXECUTOR

Unless you prepare properly, your executor could end up feeling more like a detective. Where are receipts for the final tax return? Where's the life insurance policy? What, there's an old bank account from 20 years ago? The job of the executor is involved enough without having to search for information and documents that could've been placed at their fingertips.

Note that we'll use the term "executor," but the person designated to administer an estate may be called a personal representative, liquidator or estate trustee, depending on the province.

MAKE A DIRECTORY

Whether you do it electronically or on paper, you should have a document or binder that lists all the information your executor will need. You'll record contact information for your lawyer, advisor, accountant and beneficiaries. List the location of your will, tax returns, insurance policies and any other important documents. Record all assets, including investment accounts, real estate, valuables and private company shares. Also record mortgages, credit cards, loans and lines of credit. Provide bank account information, including bank contacts, safety deposit box location and your online passwords. Other items include online utility payments, subscriptions and digital assets. Any information your executor needs to settle your affairs should be included in this directory.

EXPLAIN YOUR DECISIONS

You should discuss any items in the will where you can offer insight or information that helps explain your intentions. For example, say that a nephew is to receive a substantially smaller amount than a niece. But that's because you had helped out the nephew financially when he launched a business. That's a piece of information that could prove helpful to the executor.

What if privacy is important? You may have personal information in the will you don't yet want to reveal to your executor, and that's fine. The point isn't to share every detail – it's to discuss your intentions regarding matters where clarification will be helpful to the executor.

COMMUNICATE FUNERAL PLANS

No one looks forward to planning their own funeral, but it's important to either make your own arrangements or communicate your wishes. If funeral and burial plans aren't clear, the unfortunate result could be a dispute among family members. Depending on the province, the executor or family members are responsible for carrying out funeral arrangements, but either way, you should communicate your plans to the executor.

CONFIRM YOUR EXECUTOR'S INTEREST

If the person you designated has not been an executor before, this process of preparation might demonstrate that executorship is more involved than they expected. Check in with the individual to make sure they remain interested. You can also consider getting help for your executor by having a corporate executor manage the more involved tasks. ■

DO YOU HAVE ASSETS THAT CAN'T BE DIVIDED?

A vacation property owner has always intended to hand down the property to her two children. However, she's planning her estate and faces a challenge. Her adult daughter regularly vacations at the lakeside property, but her son lives three provinces away and is no longer interested in the property. The equal split no longer works.

Family farms and businesses are other common examples of indivisible assets. One child may plan to take over the enterprise, while another child has pursued a different career path. If you plan to give one child an indivisible asset, you need to financially compensate the other child or children.

SOLVING THE ISSUE

You can give the other child cash or other assets of equal value, but this large outlay may be unavailable. In some cases, the beneficiary of the indivisible asset may be willing and able to buy out the sibling's share. Or, if need be, you can sell the indivisible asset. Another solution, that you can do now, is to purchase a permanent life insurance policy on your life and name as beneficiary the child who will not be receiving the indivisible asset. This option helps equalize the inheritances with an amount that is guaranteed, tax-free, and received when needed.

COMMUNICATION IS KEY

The last thing a parent wants is for an indivisible asset to end up causing discord among their children. That's why it's so important to discuss your plans up front. This way, if any issues become apparent, you'll be able to manage them now. ■