CASE STUDY

COUPLE 10 YEARS UNTIL RETIREMENT

ARE YOU REALLY READY FOR RETIREMENT?

When you’re 10 years away from retirement and have already built up a decent nest egg, it might seem like you’re on track for a successful retirement, free from financial woes. But have you really taken a close look at your financial situation? Do you know your retirement income need? Are you sure you’re on track to be debt-free by your retirement goal date? Are you able to confirm that?

Even with a substantial nest egg, you may be missing one crucial factor in achieving retirement success: ensuring you have enough cash flow now, and in the future. A Certified Cash Flow Specialist (CCS) can help you create a cash flow plan to manage your spending, debt and savings, ensuring you’re on track for a secure and comfortable retirement.

A cash flow plan can help ensure your nest egg lasts through retirement!

THE DETAILS

TAKE A LOOK AT MARTIN AND MAYA'S DETAILS

Let's take a look at Martin and Maya's details. Martin is a firefighter who also runs a small business where he installs wood stoves on his days off. Maya is a sales manager with a local telecom company. They have one child who's now married, and they will soon welcome their first grandchild.

Maya is concerned that they've interrupted their savings a few times due to life events, and that she has a reduced pension due to working part time when her daughter was young. Martin has a great pension and plans to work in his small business for at least the first five years after they retire from their full-time jobs.

HOUSEHOLD INCOME

$16,500/mo Combined Income

HOUSEHOLD ASSETS

$480,000 RRSPs

$45,000 TFSA

EXPENSES

$13,750/mo

DEBT PAYMENTS

$165,000 Mortgage

$45,000 Line of credit

$5,000 Credit card

$15,000 Car loan

THE TOTALS

NOT DEBT-FREE, BUT NOT IN TROUBLE

Martin and Maya are clearly not in trouble. Their mortgage should indeed be paid off before they retire, but that doesn't mean that they'll be debt-free. It also doesn't mean that they won't create new debt. If we can change their debt structure to increase the efficiency of their interest costs, then they'll be able to save more for the future.

Here are Martin and Maya's debt totals.

TOTAL DEBT	TOTAL DEBT WITHOUT MORTGAGE	TOTAL MONTHLY DEBT PAYMENTS
$230,000	$65,000	$4,750

NEXT STEPS

The CCS worked with Martin and Maya to restructure their debt. Initially, it would have taken Martin and Maya 15 years to clear their debts, meaning they'd carry debt into retirement. But it turns out that by unifying* their debt, their monthly debt costs would be reduced and they'd pay off all of their debt in 10 years. This would save them approximately $34,000 in interest.

The real opportunity to help Martin and Maya is the combination of following the spendable recommendation laid out in their cash flow plan and that debt structure change. This allows them to get more life from their money now without affecting their lifestyle. Any change to debts without giving that money found a job with an easy-to-follow spending plan is pointless.

**Unifying debt means to put all debts in as few accounts as possible, and focus all debt repayment efforts strategically to drive down principle. This is not the same as consolidation, which is often focused only on reducing the interest rate or payment, and often turns into a recurring issue when spending changes are not deployed.*

THE RESULT

When the CCS created their cash flow plan, they initially uncovered more than $2,300 a month. This was just by applying the spendable strategy and unifying their debt. Their money found increased to $3,900. They were also able to carve out enough for them to install a pool in the next 12 months, and still reach their other financial goals.

The money found ensured that they had a savings cushion so they wouldn't need to go through periods of carrying a balance on their credit cards. They were able to ensure they could put an additional $500 a month towards the proper insurance, increasing the amount and quality of coverage to protect their estate for their daughter.

Martin and Maya also comfortably increased their monthly long-term investment contributions by $1,000 a month to ensure they could meet their cash flow-based retirement income goal. They'll put an additional $120,000 towards their retirement over the next 10 years.

In just 10 years, the cash flow plan had a $564,000 impact on this couple, plus they saved interest on their debt, and they gained value due to the investments and insurance they put in place. Their CCS also helped them save for their new pool to enjoy with friends and family, and still save for their retirement. They can have the best of both worlds.