T·E·WEALTH

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A word about retirement

Retirement is a word, but is it the right word? There never was a truer affirmation of the saying "it's the journey not the destination" than in the case of life in retirement. The destination is inevitable, but the farther off the better. In the meantime, there is the journey.

Let's take a look at the word "retirement." What does it mean and is it an accurate depiction of what can be the best years of one's life? My Little Oxford Dictionary defines retirement using the words withdrawal, retreat, recede, seclusion and to go to bed! No wonder pre-retirement jitters drive many to put off the day as long as they can.

A better word for the post-work life stage is "liberation." For me, after years of being captive to an agenda set by objectives and circumstances (most of which, admittedly, were self-inflicted from a desire to succeed), my life became my own again. While sand seems to slip through the hour glass faster and faster as one ages, time formerly occupied by meetings and business travel opens up and creates endless opportunities to use "liberation" time doing what you want to do, when you want to do it. So what to do?

What a luxury to even be able to ask the question. But starting with a blank slate can be frightening. "What do you do in a typical week, Tim?" asked a former colleague recently. "My favourite morning is to wake up with nothing to do" I replied. "Sacrilege" my colleague thought. He had a vision of me lazing around bored silly.

My vision was the opportunity to get to that box of First World War books and diaries left to me by my father and start piecing together the story that he, like so many WWI survivors, chose not to tell. Then, there are the family movies and pictures going back decades that languish in another box. And then there is the banking to do, the dog to walk, the news to read, the children to call, the repairs to make, the trips to plan, the music to listen to, the books to read, the friends to meet, the causes to support and the aging body to exercise. All at my pace, under my control.

Rather than call it retirement, let me refer to this period as "post work." It generally accompanies three stages of physical ability: go go, slow go and no go (financial outflows follow a similar pattern).

It is important to recognize change and, if necessary, to change spending habits. For many, saving and planning for the future becomes a way of life. But when the future leaves a mere few decades ahead, in addition to leaving money to the next generation or other worthy causes, the time for harvesting the fruits of your labour is upon you. There's no better time to do this than in the "go go" period, when the physical and financial stars are aligned.

When a friend once said to me, "Financial planning? All I want is for my last dollar to run out at the same time as I do", I thought "Heresy." After all, my lifelong personal, business and vocational focus had been to help others build their wealth, growing the company I founded in 1972, T.E. Wealth, into a national enterprise in doing so. My values have not changed. What has changed is that the time has come to enjoy the harvest.

Enough of money. Let's take a look at time. There is more of it during the

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post work period, and yet, there is less. More because your time is your own, but less because it is running out. One thing that saves time, and yet consumes it too, is personal technology.

Keeping up is hard to do and yet letting go is not easy either.

Through the wonders of the internet, I can listen to radio from around the world, and watch video streaming when and how I want. I can arrange travel plans down to the tiniest detail. I can call and see relatives and friends in distant lands. I can put together family videos with music and sound effects just like a professional. I can research any subject at the push of a button.

And, yet! I can spend an entire morning trying to solve a glitch on my laptop. I can consume hours on the phone being directed down every imaginable self-service alternative before being able to speak to an actual human being. And even then, there is no guarantee that I'm through to the right person or that we speak the same "tech-speak" that is needed to explain the problem even before it is solved.

Then, there are the pitfalls of auto-correct spell checks where a quickly crafted email sent without careful proofing can get the writer into big trouble. "Dear Mary, It was gator to eat you and the kilts toad" rather than "Dear Mary, It was great to see you and the kids today." All this, in addition to the constant attempts of crooks trying to con you into giving them your password by pretending to be Apple or Microsoft or your bank.

Another adjustment is the loss of status. An aging exterior may no longer command the admiration it did in one's forties. Being an ex-executive erases the fuss, glitter and attention paid to a title. You become just you, one of the masses. Put your executive ego to bed. Most corporate professionals are very accustomed to delegating work to subordinates either because it is a poor use of their time to do it themselves, or because the subordinate has a superior knowledge of the area in question.

In the post work world, there are few to whom work can be delegated. As a result, much learning and re-learning is to be done. You're on your own. Enjoy it. And on the subjects of learning and technology, there is no longer any excuse for those conversations that went: "I wonder what happened to that actor who was in, you know, the movie about the uprising in the country in Africa or was it South America? You know. He was married to that blond actress who divorced the actor who was in………" With the tiniest thread of a fact, all questions can be answered by a search online. And not only can questions be answered - but desires fulfilled.

If you like a piece of music, the sound of a book or want to research your favourite subject, with a couple of clicks, there it is - yours for the taking. Socially and culturally, a plethora of opportunities await you in post retirement. University lectures without exams, choirs for non-singers, walking for non-hikers, cycling tours with baggage delivery.

Keeping your hand in the work world through directorships or consulting contracts works for some.

The list goes on, but I must return to the more mundane yet equally important aspects of day-to-day living.

Not only do you have time to do more, but you have the time to do it better. Gone are the days of flying by the seat of one's pants as a multi-tasker. In the post work period, you can take your time. It is yours for the taking. Use it well. Even the simplest of activities can

bring immense pleasure.

If you have grandchildren, you may be surprised at how much time they can consume. But what a joy to have the time to listen to them, to help them, and to celebrate their successes and ease their worries. You may cringe at the thought of simple routines but, to many, walking the dog, a daily stroll to pick up coffee and read a newspaper, a game of tennis or a round of golf, all of these activities contribute to completing the post work jigsaw puzzle with no missing pieces.

So if you are suffering from pre-retirement jitters, fear not. When you hear people in retirement wonder how they found time for a job, they're not kidding. Not that there is anything wrong with working, but neither is there anything wrong with retirement - except the word itself.

Tim Egan, Founder, T.E. Wealth

How to plan for healthcare costs in retirement

It's a well-known fact – people are living longer. Despite all the talk about cancer, obesity, heart failure and eating bacon, science and medical advancements have increased life expectancy in the developed world drastically over the past two decades. Unfortunately, this can also be viewed as a double-edged sword. Living longer costs more and the likelihood of a costly health event also increases.

About two thirds of Canadians cite health as their biggest concern as they age, but only about 22% have planned or saved for a medical issue. Over the past year, I have had to deal with an ailing shoulder and a broken ankle. Normal wear and tear, but soon I will have to realize that I'm not 15 anymore.

In Canada, we are fortunate with our healthcare but it does cost us; all of us. A typical Canadian family (married couple with two children) will pay approximately $12,000 for public healthcare this year; an increase of more than 50% over the past 10 years. Between 2004 and 2014, the cost of healthcare insurance for the average Canadian family increased by 53.3%, dwarfing increases in income (34.7%), shelter (40.7%), clothing (33.4%) and food (15.6%). Pharmaceutical medications for the elderly are covered by public funds in some provinces, or paid for through employment-based private insurance or out-of-pocket. More than 60% of prescription medications are paid for privately in Canada. Long-term care in Canada is also an out-of-pocket expense. Residents are expected to pay a portion of their "room and board." *

So how are you going to incorporate healthcare costs into your retirement plan? As with any plan, the sooner you begin to prepare for these costs in retirement, the more options you'll have at your disposal. Here are a few precautionary measures you can take now:

1. Estimate expected costs.

Estimate what your expected annual retirement costs will be, taking inflation into account. Find out from your employer what options you may have for retiree health/dental benefits.

2. Consider available funding.

Consider what options you have to fund those long-term health costs (larger nest egg, using insurance, downsizing etc.).

3. Factor in healthcare.

Incorporate your estimated healthcare expenses into your retirement plan.

4. Live better.

Society has a responsibility to encourage a healthy lifestyle in everyone, and to help mitigate health risks (e.g., unbalanced diet, lack of exercise and sleep, and stress). We have a responsibility to understand the value of the health services we receive and it's up to us to make informed decisions.

No matter how you choose to tackle this issue, putting your head in the sand and ignoring it is not an option. Like it or not; it's coming. Incorporating your long-term healthcare needs into your retirement plan is easier than you think. Why not start now?

** Fraser Institute. (2015, August). The price of public healthcare insurance [PDF]. Retrieved https://www.fraserinstitute.org/sites/default/files/price-of-public-health-care-insurance-2015-rev.pdf*

Terry Willis, T.E. Wealth

3 smart ways to transfer appreciating assets to the next generation

You've worked hard - and probably most of your lifetime - to accumulate as much wealth as possible. Whether your nest egg is big or small, there are strategies every Canadian can use to make sure their wealth passes smoothly and tax-effectively to their heirs. Here are three of the smartest ways to do so.

1 There's cash in your cottage

The most common appreciating asset is the family cottage or vacation property. For many senior Canadians, owning a cottage comes with huge maintenance expenses which may drain one's cash flow. The equity tied up in this property could be put to better use to fund retirement, take a lifelong dream vacation or indulge in a hobby or recreational activity.

By transferring the family cottage to your next of kin during your lifetime, you'll free up time and money. And doing so will shift all future gains into their hands. Since the cottage will not form part of your estate when you pass away, probate fees will not be charged on the value of the property after your death. (Note that probate fees do not apply in the province of Quebec.)

However, selling the cottage now to your children does mean that tax will be due on any appreciation in value to this point - unless you claim the principal residence exemption to shelter you from the tax on this gain.

2 Designating your beneficiaries

Another strategy is naming a beneficiary on registered assets such as your Registered Retirement Savings Plan (RRSP), Registered Retirement Income Fund (RRIF) and Registered Pension Plan (RPP). If the beneficiary is a "qualified beneficiary," meaning a spouse, common-law partner, or a financially dependent child or grandchild who is dependent due to physical or mental incapacity, then the proceeds can pass tax-free to the beneficiary. Your loved ones will avoid a big tax bill on the value of your RRSP or RRIF upon your death.

3 Maximize the value of your company

For business owners, you can maximize the value of your company when it passes to your children or grandchildren by employing the following strategies:

- Make full use of your lifetime capital gains exemption: $827,431 in 2016 (based on 2015 amount indexed by a factor of 1.017) equates to a $413,716 lifetime capital gains deduction.
- Consider an estate freeze: a strategy which allows to you to retain control over your business while freezing the value of your interest in the company, so you can pass the future growth on to the next generation.
- Consider purchasing life insurance within the company to fund a future tax liability in your estate, or to buy out the shares of the deceased key person of your business. The business can then carry on without claims from the estate of the deceased.

Remember, it's not how much money you make that counts but what you do with it. The bottom line is, leave your assets where they belong: in the hands of your heirs.

Emerita Mercado, T.E. Wealth

How to reduce tax when selling your small business

Every retiring business owner holds one universal preference - upon retirement, they insist on leaving the CRA no more money than they have to. With that in mind, here are some guidelines on how to minimize tax on either the sale or generational transfer of a Canadian small business.

1 Utilize your lifetime capital gains exemption

There are two ways a business owner can sell an incorporated business: via a share sale or via an asset sale. There are several nuances to both, but the key thing to consider when comparing the two is that buyers prefer asset sales, and sellers prefer share sales. One of the biggest reasons sellers prefer share sales is because the sale of qualifying small business shares in Canada can be exempt from capital gains tax (up to a prescribed limit). This exemption is known as the Lifetime Capital Gains Exemption (LCGE). As of 2016, the exemption limit is $824,176 of appreciation/gain (which equates to $412,088 of taxable gain). In other words, if a taxpayer sells the shares of a qualifying small business, the first $824,176 of appreciation/gain is tax exempt (the exemption limit is a unique number because it is indexed to inflation).

As mentioned above, a small business must meet certain qualifying tests in order to achieve the exemption. The vast majority of incorporated, Canadian-owned small businesses that have carried on a principally active business for at least two years, here in Canada, will qualify.

The message here is for retiring business owners to think long and hard (and to crunch the numbers) before considering an asset sale. Share sales (particularly those that qualify for the LCGE) are ideal, so it is advisable (and commonplace) to ask a higher price for the strict sale of a business' assets, as opposed to the sale of a business' shares.

2 Transfer your business to your children via an estate freeze

What about situations where retiring (or semi-retiring) small business owners want to pass their business on to their children? This can be accomplished in a few ways, but a common planning tool for these circumstances is an estate freeze.

Simply explained, an estate freeze occurs when parents exchange the common shares that they hold in their business for preferred shares. This triggers a taxable 'sale' of the common shares, which (while taxable) can be offset by the parents' LCGE.

Immediately following this exchange, the corporation would then issue new common shares to the seller's children. Because all of the business' value is represented by the preferred shares issued to the parents, the value of the common shares issued to the children is zero.

The resulting effect is twofold. Firstly, the children don't have to pay anything for the new common shares (because they are being issued shares with nominal value). Secondly, all future growth in the company is attributed to the children, and will ultimately be taxed in their hands, as opposed to the parents'. All in, this is a much more efficient strategy than having the children purchase the shares from the parents outright (and/or for cash).

3 Other measures

There are other, more complex planning strategies available to retiring business owners, including dividend stripping, amalgamations, using donation credits, etc. With that in mind, I should point out that more specific planning requires a more specific set of facts.

To give some perspective, the CRA has introduced new legislation that limits the availability (and even prevents) dividend stripping. Furthermore, making a donation can of course offset taxes; however, you don't want the tax tail to wag the investment dog. In other words, you never save more in taxes than you give away by donating, so this should only be used as a planning mechanism if a business owner plans to make a donation in any case.

Brent Soucie, T.E. Wealth

Retiring solo

In Canada, single retirees account for 43% of people aged 65 and over.[1] Whether they are single by choice or as a result of a separation or the death of a spouse, retirement is more precarious than for a couple. This makes prudent financial planning an even greater necessity.

Singles run a bigger financial risk since they need to cover all their expenses by themselves: housing, car ownership, and utilities, to name but a few. With couples, these expenses are often shared between spouses, and that's a major advantage. The cost of living for singles amounts to 70% of that of couples; so singles need to accumulate more wealth to achieve an equivalent lifestyle.

As life expectancy increases, the number of years we spend in retirement goes up. As shown in the table below, life expectancy at age 65 has increased significantly since the beginning of the 20th century. From 1981 to 2012, the average female's life expectancy has increased from 19 year to 22 years (by 15.8%) and from 14.7 to 19.2 years for males (by 30.6%).

High-net-worth individuals, (those with a college degree and upper-middle class couples) tend to live longer than the national average. As a result, retirement can easily last up to 30 years. You need to build sufficient assets to pay for your desired lifestyle for the duration of this period, so as not to outlive your accumulated savings. Singles need to plan much more carefully for retirement, and may want to seek advice from a professional to help them do so.

Life Expectancies at Age 65 (Canada)[1]

Year	Males	Females
1901	**11**	12
1931	**13.3**	14.2
1951	**13.4**	15
1966	**13.6**	16.9
1981	**14.7**	19
1991	**15.6**	19.7
2001	**17**	20.4
2012	**19.2**	22

Here are some tips on how to prepare for retirement if you're single:

1. Start saving early!

Saving early on helps build your assets, as your investments will benefit from compound growth. Investment vehicles that defer tax such as Registered Retirement Savings Plans (RRSPs), or tax shelters such as Tax-Free Savings Accounts (TFSAs) become even more powerful investment tools if you start early. The earlier you invest, the more you'll increase the potential to generate income from savings.

2. Reassess your housing needs

People often plan to finish paying off their mortgage before they retire, but that doesn't always work out. It may be a good decision to sell and buy a less expensive home, or to simply rent. The proceeds from the sale of the property when you retire could be added to your savings, which will boost your retirement assets.

3. Optimize your tax savings

Reducing the amount of tax you pay creates opportunities for increasing your retirement savings. There are several tax rules and credits that benefit couples and families, but here are a few ways that singles can lower their tax bill.

- RRSP: this long-term investment vehicle not only takes advantage of short-term tax deductions (which can be re-invested), but also lets your assets grow in a tax-sheltered environment. Max out your RRSP contributions in order to maximize tax deductions during your working life, and enjoy a higher income in retirement. This strategy is particularly useful when you expect your income in retirement to be lower than when you were working.
- **TFSA:** invest in a TFSA and max out your annual contributions, and you'll earn tax-free investment income. If you've never contributed to a TFSA, your accumulated contribution room for 2016 is $46,500 (if you were 18 or older in 2009). This limit increases by $5,500 per calendar year.
- **Tax credits:** be on the lookout for what is available for you. For example, right now you can get an "age amount" when

you're 65 or older. As you get older, you may also run into health issues. If you qualify, remember to claim your disability tax credit.

4. Adjust your lifestyle

Adjust your short-term lifestyle to improve your long-term lifestyle. When we are single, we tend to spend more, since we have no dependents. Perhaps you can't live without your daily Starbucks shot, or two or three vacations every year. A good way to adjust your lifestyle without compromising your retirement goals is to establish a budget. To do this, first determine what you earn: salary, rental or professional income, dividends, etc. Then identify how much you spend, and on what. This number can be subdivided into three categories – and how much you allocate to each is critical:

- Fixed expenses (e.g. housing, car, utilities)
- Variable expenses (e.g. entertainment, travel, clothes, groceries)
- Savings (e.g. RRSP, emergency fund, non-registered savings)

5. By determining what percentage of your income goes into each of these categories, you will be able to make any necessary adjustments. For example, your variable expenses can sometimes outweigh your savings, which will have a major impact on your retirement assets. Or, your total expenses may exceed your total income, which means that you live on debt and are unlikely to meet your long-term goals.

5. Protect yourself

Disability protection: as a single, you are more at risk financially and would do well to talk to a professional to determine your insurance needs in case of disability.

If you're already covered by private insurance, you need to know what percentage of your income will be covered. For example, is 70% of your current monthly income sufficient to maintain your current lifestyle without compromising your retirement goals? In other words, will you continue to save, or will you have to dip into your savings to offset the drop in income?

You also need to make sure the payouts will last long enough to cover your period of disability. Some insurance packages are less expensive but will pay out for just two years, while others may cover you up to age 65. And what is the qualifying period? Some insurers will commence payouts 30 days after the onset of disability, while others may take 90 days. You'll need cash to cover this period without an income.

Living Will: make sure you have an up-to-date Living Will and Power of Attorney. In the absence of such documents, a physical or mental disability will set in motion the public system of protection (curatorship), and you won't have the choice of the person responsible for your personal and financial well-being. A Living Will allows you to choose a family member or someone you trust, allowing you to keep indirect control over your retirement goals. This document is especially important given that life expectancy is increasing and that, with age, mental abilities may decline.

6. Set up an emergency fund

Do you have enough cash set aside for emergencies? To find out, start by determining your cost of living. What are your annual expenses? For example, if you spend $ 70,000 per year, your emergency fund should be minimum $17,500 (3 months of expenses). This fund should consist mainly of liquid savings that are easily accessible in case of need, but you could also use a line of credit. Why is an emergency fund such a no-brainer? Before you retire it helps you bridge periods of uncertainty, such as losing your job, without having to draw on your retirement savings. Once you're retired, it will help absorb the impact of emergencies such as medical expenses.

7. Talk to your advisor

Use the services of a professional such as a financial planner. A planner is like the "GP of your finances," who will assess your overall personal situation and give you tailor-made recommendations. This will simplify the management of your retirement plan and give you an accurate picture of your situation. Your financial planner can also determine if you need other professionals including investment advisors, financial security advisors, notaries or lawyers, identifying the topics that would be useful to bring up with them.

[1]Statistics Canada
Source: http://www.osfi-bsif.gc.ca/Eng/oca-bac/as-ea/Pages/mpsspc.aspx#TBL1

Junie Destin, T.E. Wealth

The T.E. Wealth Spring Speaker Series presents: Margaret Trudeau and Clément Gignac!

As an author and mental health advocate, Margaret Trudeau shares personal stories on the importance of nurturing the mind, body and spirit.

Margaret has authored four books including the best-selling *Changing My Mind*, and her latest titled *The Time of Your Life*.

She sits on the Executive Advisory Board of the UBC Mental Health Institute as a community advocate, and is the honorary president of WaterCan, a charitable Canadian non-governmental agency dedicated to helping build sustainable water-supply and sanitation services in developing countries

Margaret will be speaking in Vancouver on May 18, Calgary on May 19 and Toronto on May 25.

Former Minister of Economic Development, Clément Gignac, shares his perspectives on the economy.

Currently the Senior Vice President and Chief Economist at iA Financial Group, Clément chairs the investment asset allocation committee and manages diversified funds with assets exceeding $3 billion.

An esteemed speaker who is often sought after by the media, he was asked by the prestigious World Economic Forum to sit as chair on the Global Agenda Council on Competitiveness. In May 2015, he was presented with the Gloire de l'Escolle medal from Université Laval.

Clément will be speaking in Montreal on May 26.

Register for these events at http://www.tewealth.com/upcoming-events/

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