HollisWealth®

WealthBUILDER

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Are you prepared for a longer, more active retirement?

Recent trends suggest that some of the costs associated with retirement are changing. Depending on your circumstances and expectations, these developments may mean you'll need to adjust your savings to be sure you can fund the retirement lifestyle you want.

Keep these three trends in mind when you're reviewing your plans.

Longer retirement. Thanks to healthier lifestyles and medical advances, people now live longer and are more active than their predecessors. They're also more likely to retire at a younger age. Whereas previous generations could expect to spend 15 to 20 years in retirement, retirees may now require savings that will last for upwards of 30 years.

Higher health care costs. In recent years, provincial health care budgets have been growing faster than government revenues. Individuals and employers now foot 30% of the country's total health care bill.[1] You can expect to pay still more as provincial health care plans trim coverage and governments impose or increase related taxes.

Rising housing costs. Recent years have seen a strong trend among retirees toward condominium living. According to the 2016 Census, 30% of Canadians over 65 now live in condominiums.[2] Condos offer convenience and security, but they also have monthly maintenance fees. And while homeowners can defer repairs and shop for bargains, condominiums typically have work done on a scheduled basis, including costly refurbishing, regardless of what individual owners might want. If there's a condo in your vision, remember to factor in these costs.

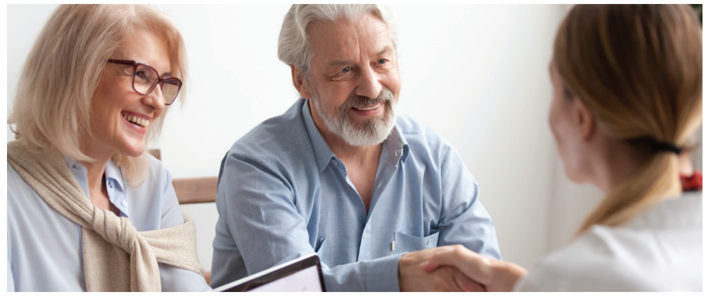
Professional advice can help you assess whether your Registered Retirement Savings Plan (RRSP) and other investments are positioned to give you the growth you need for a long, healthy — worry free — retirement. ◄

Sources:

[1] Government of Canada. Unleashing Innovation: Excellent Healthcare for Canada: Report of the Advisory Panel on Healthcare Innovation. 2015.

[2] Government of Canada, Census of Population, 2016.

Does your RRSP have the right asset mix?



We all recognize that our needs evolve as we grow older. But change has a way of creeping up unnoticed. That's why it's important to review your Registered Retirement Savings Plan (RRSP) on a regular basis.

A key question for investors is: Are you still holding the right mix of asset classes in your RRSP? Is it time to begin making adjustments in preparation for the next stage of your investing life?

Portfolio approach

First, remember that each asset class has its own characteristics and each has a legitimate role in a well-diversified portfolio. Equities, such as common stocks, represent investments in the companies that issue those stocks. They offer the greatest potential for growth over time. Fixed-income investments, such as government bonds, have a lower risk profile and can offer steady, predictable income. Cash, or cash equivalents like money market investments, can provide liquidity to your portfolio, should you need income in the short term, or allow you to take advantage of buying opportunities when they appear.

Historically, equities have delivered superior returns over the long term — but with volatility, which is the price you pay for that greater potential. In your overall portfolio, money market and fixed-income investments can help offset that volatility.

Juggling variables

How do we decide whether you have the right proportion of equity, fixed-income, and cash-equivalent investments in your RRSP for your current stage of life? We'll look at the following factors:

Accumulation horizon. The farther you are from retirement, the longer you have to recover from a setback. As a result, young people can theoretically bear more risk than older people. Check your own personal risk tolerance (see article on Page 3).

Drawdown horizon. How long will your retirement run? This reflects your target retirement age and life expectancy. Work life changes and health concerns for you and your spouse can easily affect your target retirement date (see article Page 1). Health issues naturally affect your longevity projection. The longer your retirement, the more capital you will need.

Target retirement lifestyle. How much retirement income do you want? Your lifestyle today is probably different than 10 or 20 years ago. As we age, our wants and needs change.

Required rate of return. If you have already accumulated a substantial amount, you may need only modest returns from your retirement savings in order to meet your future needs. On the other hand, if you're behind in your savings, you may need to consider taking on extra risk or adjusting your expectations.

Other sources of income. Some retirees continue to work part time. Others may receive an income from a company pension plan.

Keep in mind that all of these factors are subject to change as you progress through life's stages.

One size fits all?

An old rule of thumb suggests setting your equity allocation by subtracting your age from 100. So you would be 70% in equity funds at age 30, 60% at 40, 50% at 50 and so on. But there's no one-size-fits-all solution. For all of the reasons above, good investment advice requires a thorough examination of your individual situation.

Indeed, one of the most valuable benefits of working with a financial professional is gaining expert insight into the fund mix that best matches your unique situation. If your thinking has evolved when it comes to how you see your retirement, let's talk and review your investing strategy. ◄

An exit strategy for your RRSP

When is the best time to begin converting your Registered Retirement Savings Plan (RRSP) assets into retirement income? There is no one right or wrong answer, but here are your options.

Age 71 at latest

You're not required to convert your RRSP into a source of income — usually a Registered Retirement Income Fund (RRIF) or annuity — until the end of the year in which you turn 71.

Delaying until then allows your assets to grow and compound on a tax-deferred basis. Provided you have available contribution room, you can continue to add to your RRSP in the intervening years. And if your spouse is younger than you, you may be able to contribute to a spousal RRSP beyond the end of your 71st year.

The typical retirement age, however, is 65. That's when your Old Age Security (OAS) payments will kick in, providing you meet the eligibility requirements.

Before age 65

You might choose to retire before age 65, or circumstances (health issues, for example) might make converting sooner the best option because you need the income payments. You can then use your RRIF or annuity payments to supplement other income sources and fully enjoy your retirement lifestyle right from the start.

Your time

With professional advice, you can avoid the extremes — withdrawing too much money too soon and depleting the funds, or waiting too long and taking so little money that you don't enjoy your retirement. A sound retirement income plan, based on your unique needs, will allow you to make the most of your retirement savings. ◄

Watch out for these 4 common investing traps

Investing would be a whole lot easier if the markets moved in a rational, predictable fashion. Unfortunately, they don't. Market activity is the collective result of individual investors' decisions, and investors are not always rational.

Irrational actions are the focus of researchers who study behavioural finance, or the psychological analysis of how individuals make money management decisions.

These researchers have identified four common investment traps.

1. **Fear of regret.** If we're not careful, the fear of making the wrong decision can become so powerful that we avoid decision-making altogether. For example, we might keep too much investment money parked in cash, hold on to an investment long after it should have been sold, or automatically reject new ideas. Also, after an investment turns out to be a disappointment, some people never buy another.

2. **Framing.** This is the tendency to divide our finances into distinct clusters and "frame" them by managing each cluster without regard to the others. Many people, for example, work hard at reducing their home mortgage while continuing to carry credit card debt at much higher interest rates. The rational approach would be to view their entire financial situation and then allocate money based on potential payback.

3. **Availability.** Many investors have a strong tendency to buy whatever's new and exciting — regardless of whether it's appropriate for their portfolio or even a sound investment. One example is investing in technology: technology company stocks are often hot sellers, based on sentiment for the brand, the products or the management without due regard for the financial soundness of the investment or its role in the buyer's portfolio. In addition researchers have found that stocks and mutual funds tend to experience a surge in popularity right after being featured on a magazine cover or television show.

4. **Confirmation bias.** Investors who are open only to information that confirms their thinking are exhibiting confirmation bias. For example, an investor may never review or consider changing a favourite investment, even if it is no longer an appropriate choice.

It's one matter to identify these traps, but altogether another not to be swayed by them — after all we are humans, not investing robots. If you think you might be susceptible to behavioural traps in your own attitudes to investing, professional advice can help. While we can't make you any less human, we can provide an objective view of the investments and remind you of your goals and why your portfolio is built the way it is. ◀

What is risk tolerance?

When it comes to investing there's lots of talk about "risk tolerance." But what is it? And how can we determine your individual tolerance for risk?

Put simply, risk tolerance is the amount of risk you're willing to accept when investing. For many investors, risk and risk tolerance are focused on the possibility of losing money. That's important to your investment life, because as potential returns rise, so does risk.

A key factor in dealing with risk is time horizon. With long-term objectives in place, the short-term ups and downs of financial markets don't matter as much. They're often described as "speed bumps" on the road to long-term investment success.

We can help you explore your personal risk tolerance through a series of questions designed to help determine the risks you're comfortable with. We'll pay close attention to how you react to the risk profiles of different types of investments and to events such as market volatility.

If you are feeling anxious about your investments or can't sleep because of them, that's a tell-tale sign your risk tolerance is out of whack. If that's the case, we're here to help. ◀

An inheritance presents financial and emotional challenges

Receiving an inheritance is much more than a financial event. It's an emotional one as well. If you're expecting a considerable inheritance, it's important to plan for the transition that sudden money requires.

Taking care of the financial transition may also help you with the emotional one.

A truly mixed blessing

Emotionally, an inheritance can affect you in ways you might not expect. The fact is, it is a truly mixed blessing. You've suddenly gained a sum of money that could alleviate financial worries or open up opportunities for you, but you have also lost a loved one.

There can be other potentially complicated consequences of receiving an inheritance. Family relationships can be strained, and an inheritance can result in jealousy on the part of family and friends. For people who are facing the complexity of emotions that an inheritance can bring, it might be helpful to keep in mind that the person who left you the legacy did so with the intent of helping you forge a secure or more comfortable future.

Planning is a must

A financial strategy that is specifically created to address your inheritance is a must. A failure to plan for this windfall can actually put its benefits in jeopardy. Time and again, people who come to receive a substantial sum of money tend to run through it far too quickly, often without addressing the needs they had before receiving it.

By letting emotions cloud good judgment, you are more likely to make decisions that aren't consistent with your financial needs and goals.

There's also the unavoidable fact that substantial money may change your life and therefore involves major decisions about what you want to do with your time. You may have more opportunities now and in the future, including possibilities you've never considered before.

Professional advice can help. By working together, we can establish clear financial objectives and create a roadmap for reaching them. We can avoid missteps and prepare you for the challenges of safeguarding, and benefitting from, the legacy of a loved one.

Take your time

Having a formal strategy will also give you the luxury of taking a little time to become accustomed to your new situation. You'll already know where you're headed, and you won't be in a hurry to figure things out. Often it's a good instinct to wait a few months before you do anything major with a windfall. Taking a break gives you a chance to gain control over your emotions.

Everyone's reaction to change is unique. If you're facing the challenges of a major inheritance, let's talk about the best way to handle it. Strategizing today can help you avoid problems tomorrow and ensure that the money you inherit will help provide financial security for you and your family. ◀

Year-end tax tips

Charitable Donations. December 31 is the deadline for making a charitable donation that can be claimed for the 2019 tax year.

Tax-Loss Selling. You have until late December to sell a security that settles in 2019 — December 27 is the expected last buy or sell date for Canadian securities to settle in calendar year 2019, based on trade date plus two business days. However, it is recommended that you review your non-registered investment portfolio earlier.

RRSP Conversion. If you turned or are turning 71 this year, December 31 is the deadline for collapsing your Registered Retirement Savings Plan. However, planning for this important financial change should be done well in advance of the December deadline.

Tax Deductions and Credits. December 31 is the final payment date in order to receive a 2019 tax deduction or credit for expenses such as childcare, medical and tuition tax credits.