The Financial Corner with Joanne Vesprini

Pont du Gard, Roman aqueduct Provence

A quarterly newsletter filled with practical wealth management advice to help understand several aspects of financial well-being.

Winter 2016

- Market Update
- How to Create a Lasting Legacy- Charitable Gift Program
- Are you suffering from Sudden Retirement Syndrome?
- Ready, Set, Retire – Stage 2

My thoughts,

In the fall edition I reflected on all the significant events that transpired in the previous quarter. Well once again I have to say that a lot has happened in the past three months; UK PM announces formal Brexit process to start March 2017, AT&T buys Time Warner, OPEC agrees to Oil Cuts; Italy votes down referendum changes; Bayer buys Monsanto; Fidel Castro and Leonard Cohen pass away and Donald Trump is elected as the next US President.

Surprising for most, but certainly not all Canadians, was the outcome of the US election. The US market has rallied partially in response to the anticipated policies the new Trump administration proposes to implement. The proposed new infrastructure spending and corporate tax cuts have contributed to the S&P 500 and the Dow Jones Industrial Average to all time record highs. Some believe that even prior to the election the economy seemed likely to grow and stocks were already positioned to rise in 2017.

Will this continue? Quite possibly the push higher could continue if in fact there is increased economic growth and inflation in the US. Of course we are likely to experience a roller coaster in market fluctuations and bond prices for 2017. Along with what the Trump administration is able to initially implement there are also several significant events happening in Europe next year. The outcome of elections in France and Germany may also impact the EU, the Euro and lead to further un-globalization. All leading to uncertainty for business and investment.

Now I know that all this can cause a lot of anxiety for some investors. If you are retired and draw an income from your portfolio, then my advice is to ensure that one/two year's income is not exposed to the bond/stock markets. This will remove any anxiety in drawing down assets as markets fluctuate and let you enjoy your time over the holidays and well into the New Year.

Warmest greetings of the season and best wishes for good health & happiness in 2017,

Joanne

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How to Create a Lasting Legacy

Charitable Gift Program: An Overview

The Charitable Gift Program offered by RBC is in partnership with Gift Funds Canada; which is specifically designed for individuals and families wishing to support charitable causes in a meaningful way, without the time, and cost associated with establishing a private foundation. It is an easy and convenient way to support charitable causes, today and in the future while receiving important tax benefits.

Through our program, you can make initial and ongoing contributions to a charitable gift fund administered by Gift Funds Canada.

The RBC DS Charitable Gift program is an advisor managed plan for charitable giving. Individuals are able to place contributions of personal assets such as cash, securities, mutual fund units, insurance, etc. into a perpetual gift fund account with Gift Funds Canada. Donation receipts will be issued to your client for the full value of the assets contributed.

Who is Gift Funds Canada?

Gift Funds Canada is an independent, non-profit charitable organization registered with the Canada Revenue Agency (CRA) as a public foundation under Canada's Federal Income Tax Act. It is dedicated in helping donors increase and sustain their charitable giving to deserving organizations across Canada and it administers RBC's Charitable Gift Program.

They are entrusted with the responsibility of administering your charitable gift fund. Based on your recommendations, Gift Funds Canada disburses grants to qualifying organizations across Canada.

Gift Funds Canada is the only independent public foundation operating in Canada that specializes in the management and administration of 'advisor-friendly' charitable gift funds.

Their management team brings almost 100 years of combined experience as philanthropic and financial practioners with particular expertise in gift planning.

How does the Program work?

The Charitable Gift Program allows you to make recommendations with regard to investment strategy and grant-making. Once you have donated assets to Gift Funds Canada, you should understand that you have given away the ownership of the asset(s) donated. This is no different than if you donated money or gifts money to a community foundation or an actual charity. However, it is the retention of influence over the operation of the Charitable Gift Program that you are likely to find attractive.

As a whole, Canadians are a caring group. We care about our social and religious institutions, community facilities, arts, education, research and hospitals. We care especially about those less fortunate than us.

Canadians donate their time, volunteer and fundraise for charities and make charitable donations. All of these efforts contribute to the country's social, medical, education and cultural well-being.

For years, Canadians have looked to various levels of government to fund much of the good work that charitable groups provide to enhance the quality of our lives. In recent years, governments have cut back on direct funding, and it's now up to individuals and corporations to fill the gap. As a result, recent federal budgets have contained a number of changes in the form of tax incentives to encourage Canadians to give charitably.

When done properly, charitable giving benefits both society and you, the donor, and you can help the causes you care about. If you are considering making large gifts, be sure to include these gifts in your tax, financial and estate planning. Prior to making any large gift, it is strongly recommended that you contact your professional tax and legal advisors to discuss the various charitable giving options outlined in this brochure to ensure all of your needs are met.

Are you suffering from sudden retirement syndrome?

If you want to get an accurate picture of what retirement might feel like, it is better to learn from someone who has been suddenly retired at an early age, as opposed to learning about it from someone who worked for 40 years in a job he didn't particularly like and then retired at 65.

Sudden retirees are those who ended up in a retired state because of unexpected events such as the merger or sale of a business, downsizing, injury, sickness, caregiving for a family member, or the death of a breadwinning spouse. The experiences of these individuals might be a better looking glass for previewing some of your concerns in the early phases of retirement. Many of the people who have been cast into unexpected retirements are often still young at heart, energetic, and full of vision for their future–this description may apply to you, regardless of your age.

Sudden retirees find themselves having to make many life decisions before they are ready. Ideally, we want to learn how to live within our activity needs and financial limits before we reach the retirement stage of life. We hear and read plenty on the financial aspects but not as much on the activity and existence ledgers of life. One study I read found that many people articulate that they are merely "resigned to their retirement" as opposed to truly being satisfied with it.

Over a decade ago when I first began theorizing that the full story wasn't being told around retirement I was quite amazed at what I learned in research, both formally established and empirically confirmed again and again. What I discovered were the four Ds and the Big B of retirement: Death, Divorce, Disability, Drunkenness, and Boredom. Today's research confirms these patterns. I remember research from a generation ago from IBM demonstrating that their average retiree didn't make it to his 24th pension check! While longevity rates have increased, I still hear stories about people who retire and die within a year's time.

I'm convinced that there are two specific reasons this happens. One is that the individual literally worked himself to death by burning the candle at both ends and retiring into his final decline. The story I hear more often, however, is the person who wakes up on day 32 of retirement and realizes she has no specific purpose, plan, or meaning. These are the individuals who die of aimlessness.

In a cohort study of thousands of employees who worked at Shell Oil, investigators found that embarking on the retirement path at age 55 doubled the risk for death before reaching age 65, compared with those who toiled beyond age 60:

"Failing health might have played a role in the younger retirees' higher mortality," said Shan P. Tsai, Ph.D., an epidemiologist at Shell Health Services, according to the report in the British Medical Journal. Dr. Tsai and his colleagues challenged the notion that early retirement means less stress and a more relaxed lifestyle which has fueled the belief that retiring young boosts longevity. Their results indicate the opposite: Mortality rates improved with an older retirement age.

Freakonomics

The trend toward working longer because of economic necessity may feel discouraging to you at the moment, but it's important to consider the upside of this predicament. The economist Josef Zweimuller at the University of Zurich recently coauthored a study that found that even though many crave early retirement, it seems to be bad for our health: "[A]mong blue-collar workers, we see that workers who retire earlier have a higher mortality rates and these effects are pretty large." The study showed that for every extra year of early retirement, workers lost about two months of life expectancy. Other researchers, including University of Florida psychologist Mo Wang, who studies retirement, and Steve Levitt, author of the bestseller Freakonomics, have found the same phenomena around earlier retirement. Levitt has personally settled on a plan to retire and keep working at the same time.

Welcome to the real world of retirement. In an article for CBS Money Watch, Steve Vernon made a commentary on the RP-2000 Mortality Study, which included a table that compared the annual death rates among two groups of men aged 50 to 70. The first group consisted of men who were working, and the second group included men who were fully retired. The death rates of those who were still working were roughly half that of the death rates of men the same age who were fully retired. "What's going on here?" Vernon wrote, "I thought retirement was supposed to be good for you!"

Does working actually enable you to live longer, or is it simply correlative with no direct cause from work? An example explanation that was offered on the correlative side of the argument is that people who are in poor health and disabled would fall into the retired group, whereas only healthy people can continue to work. But this argument doesn't hold water, as those on disability benefits and those in failing health were excluded from the study.

There are numerous longitudinal studies and plenty of anecdotal evidence appearing on the side of work being a causative factor in longevity. George Vaillant's book *Aging Well* summarized this evidence in detail. A vital engagement with life is a primary factor in prolonging life. You can get engagement with life from working, but you can also get it from taking up causes, volunteering, pursuing hobbies, and contributing to your family and community.

Vernon's conclusion on the matter was: "Here's the takeaway for me: Finding powerful reasons for getting up in the morning in my retirement years is as important as my financial planning. We may need to work a little in our retirement years to make ends meet. In this case, I won't be bitter–working may be keeping me alive!"

Ready, Set, Retire- Stage 2: You're About to Retire

A few years from retirement, it's time to look at what's next, including how you can maximize your sources of retirement income.

Determine your employer pension options. Ask your employer about your pension options on retirement, including the option to transfer the value of your pension to a locked-in RRSP. Consider whether it is possible to split your pension payments with a lower income spouse.

Apply for Canada Pension Plan (CPP) or Quebec Pension Plan (QPP) benefits. Avoid delays by filing for CPP or QPP benefits at least six months before you are eligible to receive them. If your spouse is also eligible, consider applying for CPP/QPP "sharing" to reduce your total tax burden.

Review your asset allocation. Speak to us about tailoring your registered and non-registered investments to your retirement income needs. As you make the transition into retirement, you will probably want to move from a more growth-based investment approach to one that preserves your capital and enhances your income.

Convert your RRSP. By the end of the year you turn 71, you are required to convert your RRSP to a Registered Retirement Income Fund (RRIF) annuity, or deregister the RRSP. Before you do this, consider making your final RRSP contribution payment in December of the same year to catch up on any remaining RRSP contribution room.

Stay tuned **"Stage 3: You're Retired Now, or Have Retired Recently"** in the next edition of The Financial Corner with Joanne Vesprini.

I'd rather regret the thing I've done than regret the things I haven't
Done ~ *Lucille Ball*

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