

Critical 10 Guidebook

Questions and strategies to guide you through
the five years before and after retirement.



Critical 10 guidebook

The clearer your view of retirement, the better prepared you'll be.

Making smart investment choices is important at any stage in life, but it's especially crucial during **the five years before and after your retirement**. The decisions you make during this decade can have a significant impact on your retirement lifestyle and financial security.

No matter at what age you choose to retire, this guidebook will walk you through key questions regarding your portfolio, estate and tax planning needs as well as philanthropic giving plans – **one year at a time**.



5 years *before* retirement



Questions to ask yourself

Things to measure

Strategies to consider

Estate planning

Have I built a strong enough personal balance sheet to fund my transition into retirement?

Assets available to fund retirement, expectations regarding rates of return and capital growth; anticipated consumption liabilities.

Match retirement timing to accumulation of required funding; alter lifestyle; seek appropriate investment strategies to match retirement goals.

Philanthropy

What role does philanthropy play in my family?

Review with family the current level of giving.

Start a discussion with your advisor about your philanthropic aspirations. Decide what issue makes you the most impatient for change.

Income

What will my consumption levels be post-retirement?

Current expense patterns over a six-month period.

Create a retirement balance sheet; slowly adjust monthly expenses to adapt to retirement income.

Insurance

Is it too late to buy or add to insurance?

Potential cost of adding or changing insurance.

The cost of health coverage in later years might be more than buying insurance today. Consider your cost of disability, critical illness, and even life insurance coverage.

Investments

What is my growth to income asset allocation ratio?

The portion of your household portfolio that is in equities versus fixed income (your household portfolio may include RRSPs, RESPs, TFSAs, trusts, corporate accounts, cash accounts, inheritance, and private shares).

A potential growth tilt in your portfolio while you still have a tolerance for risk.

4

years *before* retirement



Questions to ask yourself

Things to measure

Strategies to consider

Estate planning

What are my short- and long-term goals?

Cost to your family of your early death (impact of financial obligations on surviving members); consider age of all your dependents, including children and parents, as well as current financial and parental obligations.

Term or permanent insurance with flexible options like tax-sheltered investment growth.

Philanthropy

Do I want to formalize my philanthropic initiatives?

Energy and resources you wish to dedicate towards developing a foundation endowment or donor advised funds.

Work with your advisor along with a philanthropy consultant to review and pursue different formal strategies.

Income

What will my variable income be versus fixed income sources? Is it enough?

Annuities, corporate and government pensions and variable income sources, including investment portfolio and dividends or sale of business.

Asset/liability match: balance anticipated fixed and variable post-retirement needs to fixed and variable sources of income.

Insurance

How will my family and I be protected financially if I must stop working before my anticipated retirement date?

Health care insurance, disability benefits and other sources of funding available in the event of illness prior to retirement.

Critical illness insurance; extended health benefits; disability insurance.

Investments

Should I be investing in alternative investments, including hedge funds, managed futures, real estate, commodities and derivatives contracts?

Compare the risk profile of your current portfolio with that of a portfolio that includes alternative investments.

Consider including alternative investments; use goals-based investing where life and wealth goals are aligned. Focus on risk capacity, not just on risk tolerance.

3 years *before* retirement



Questions to ask yourself

Things to measure

Strategies to consider

Estate planning

Is my existing housing situation suitable for my retirement plans?

Benefits of downsizing or moving to a different location both in terms of rightsizing your accommodations and timing the proceeds of sale to fund retirement needs.

Work with a qualified real estate professional and your advisor while considering your lifestyle needs as well as your options, including the sale of your primary residence, the purchase of foreign property, and renting versus buying.

Philanthropy

Are there areas of conflict in the family that might affect planned giving?

The sensitivities in the family around a dollar donated versus a dollar bequeathed to children.

Opportunities to educate family members on the value of giving through your philanthropy.

Income

Have I considered all possible sources of income return for retirement?

Annual income that will be withdrawn from registered plans—and whether it needs to be supplemented.

Consider the sale of other assets, including property collections; or, consider a “hobby” job.

Insurance

Should I upgrade my existing life insurance policy?

Compare the cost of permanent versus term coverage, determine when policy expires, cost of cancelling policy, level of premiums if not converted.

Work with an insurance specialist along with your advisor to invest in convertible policies; have a valuation done for a whole life policy to compare it with similar ones offered by other insurers.

Investments

Does my asset mix reflect my growing need for capital preservation and income?

How much of a market downturn your portfolio could withstand and still fund retirement.

Reallocate your portfolio from an equity mix to a fixed income mix to mitigate potential risk.

2

years *before* retirement



Questions to ask yourself

Things to measure

Strategies to consider

Estate planning

What will my lifestyle be in retirement?

Different stages of activity for each phase of retirement, number/type of retirement hobbies, how your relationships with your children will change with more leisure time.

Ease into lifestyle with partial retirement; increase commitment to existing hobbies to try new ones; go back to school; take a greater role in caring for grandchildren.

Philanthropy

What public legacy am I looking to establish?

Opportunities that various charities offer to establish your desired legacy, including naming rights and recognition.

Create critical mass in your giving strategy; consider a one-time gift versus smaller increments.

Income

What annuity types work best given my anticipated needs for income?

Your current level of guaranteed income.

The sale or wind-up of a business as a potential source of income (using annuities); also consider Individual Pension Plans and/or Registered Compensation Arrangements.

Insurance

Will I have any guaranteed sources of income for retirement?

Current spending habits, how much money you require to maintain your desired lifestyle level.

Prescribed or term annuities; insured annuities; segregated funds (GIFs).

Investments

How broad is my acceptable range of spending in my retirement years?

Future consumption liabilities.

“Bucketing wealth” by ensuring speculative investing is separate from savings and longer-term investing.

1

year *before* retirement



Questions to ask yourself

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Strategies to consider

Estate planning

Is my estate plan detailed enough?

What your anticipated last tax filing will look like upon your death (performed by your executor, this crystallizes your estate's tax liability).

Seek professional advice to review or implement your estate plan; ensure account beneficiaries of accounts are accurate; evaluate capacity for the estate or your benefactions to fund the tax liability.

Philanthropy

Is it important for me to maintain control of my assets?

The amount of cash, securities, real estate or tangible personal property that is eligible for donation.

Bequest by will to maintain control of your assets while you are living and ensure tax savings to your estate upon death. (This strategy is suitable for people with few or no heirs).

Income

Have I properly assessed my benefits?

The future value of CPP, OAS, public and private pensions which you are eligible for and how they'll fund part of your income stream.

The sequencing of income drawdown from benefits versus your investment portfolio to mitigate the risk of ineligibility to receive full benefits.

Insurance

Who will take care of me if I require personal care and support?

Costs of assisted living, whether children can offer support/care, cost of provincial care, cost of home renovations to allow accessibility.

Long-term care insurance indexed to inflation; disability insurance.

Investments

Are my fixed-income positions carrying the right kinds of risk?

To what extent your income solutions are suitable from complexity, risk, liquidity and yield perspectives.

Work with your advisor to navigate the full spectrum of yield investment product.

1

year after retirement



Questions to ask yourself

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Estate planning

Will my financial affairs be managed if I am unable to manage them myself?

The appropriateness of those appointed to make financial decisions for you—and the extent to which they share your fiscal values.

Power of attorney; review trading authorization for investment accounts; document wishes regarding gifts, donations and financial assistance to others.

Philanthropy

I want to give a charitable gift, but I find that I don't have the funds?

The value of your investment portfolio.

Consider a direct-to-recipient gift of securities, which can significantly enhance the tax advantages of charitable giving in comparison to gifts of cash.

Income

Can I consider commuting my pension?

The survivor estate entitlements under your pension income options and the rate of return on your commuted pension versus anticipated pension income.

Consider moving your pension value to a Locked-In Retirement Account (LIRA) or Locked-in RRSP (be mindful of any loss of benefits).

Insurance

Do I have enough money to provide for my care if my health deteriorates?

The resources available for funding long-term care and the amount you have set aside for assisted living.

Critical illness insurance; long-term care insurance.

Investments

How much growth do I still need from my investment portfolio?

Equity to non-equity ratio.

Adapt the asset mix to tilt toward capital preservation.

2

years *after* retirement



Questions to ask yourself

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Strategies to consider

Estate planning

Do I still own a business?

The best way to monetize your business, and who the buyers will be.

Consider a bulk sale of your business versus a buyout over time. Also consider the income and tax implications of both options to your estate.

Philanthropy

How do I evaluate charities?

Legal status, registration of charity, disbursement quota and how the charity's assets are being managed.

Work with a philanthropy consultant or speak with a board member.

Income

Have there been any surprises to my planned income stream?

Discretionary versus fixed costs of retirement living.

“Stress test” your post-retirement expenses against your sources of income to see what kind of buffer you should build; insurance can serve to mitigate unforeseen spikes in expenses (e.g., home care).

Insurance

Do I want to use insurance proceeds for a charitable donation?

Status of whole life, universal life and term policy.

Donate a policy that is no longer needed when you want to make a large gift but have limited resources. You get a donation receipt for the donation's cash value and any future premiums paid.

Investments

Is my withdrawal rate sustainable?

Withdrawal rate in conjunction with portfolio performance.

Withdrawal strategies based on performance. Prepare yourself to be flexible in your withdrawal rate from your portfolio based on the annual performance, to sustain the income-producing power of the portfolio.

3 years *after* retirement



Questions to ask yourself

Things to measure

Strategies to consider

Estate planning

How much longer will I be able to live independently?

Cost of nursing and retirement homes.

Investigate assisted living and long-term care options; clarify wishes regarding end-of-life decisions; create power of attorney for personal care; consider engaging a geriatric consultant.

Philanthropy

Can I give charity items of value other than money or time?

The proceeds of the sale of your principal residence or investment property if you no longer need them.

Tax-effective giving; when making an outright gift of real estate, engage a charity to get an independent appraisal to assess its fair market value.

Income

Will my grandchildren need financial support?

The ability of your grandchildren's parents to fund the kids' education; education as a family value.

Fund education for grandchildren with RESPs up to a lifetime limit of \$50,000 per child to qualify for government education savings grant.

Insurance

Can I still afford my insurance premiums?

Income to premium ratio.

Whole life policies (use dividends to pay the premiums or borrow against policy to fund lifestyle requirements).

Investments

How sustainable is the income generated by my current portfolio?

The maximum drawdown on your current portfolio and to what extent you are comfortable with it.

Stress-test your portfolio through market simulations.

4

years *after* retirement



Questions to ask yourself

Things to measure

Strategies to consider

Estate planning

Do I want to start a living gift program now so I can see my beneficiaries enjoy what I can give?

How much you can give while you are living without jeopardizing your own lifestyle.

Consider the tax implications of making living gifts in the form of property, cash, loans and investments and the timing to mitigate tax.

Philanthropy

Do I have spare time to “give” to charity?

The things that make you feel fulfilled and valuable.

Donating money is not the only way to be charitable; does it make sense to get active?

Income

Does income splitting make sense for me?

The tax bracket for which you and your spouse qualify.

Consider the flexibility in splitting RRIF income.

Insurance

Should I consider health insurance or set aside emergency health funds?

Whether you are the sole funder of your healthcare and life insurance; whether your previous employer’s coverage is now gone.

Private healthcare insurance.

Investments

Is my capital base okay or am I eroding it with annual withdrawals?

Reassess annual income needs versus portfolio yield.

Include annuities to create certainty around yield and capital.

5 years *after* retirement



Questions to ask yourself

Things to measure

Strategies to consider

Estate planning

How do I want my estate to be distributed?

The extent to which your beneficiaries are aware and supportive of the plan.

Continuity services, in which your advisor hosts a roundtable discussion with your beneficiaries to review wealth transfer strategies and your overarching investment approach.

Philanthropy

What are my options at this stage of my life?

The impact on your balance sheet and ability to fund an annuity.

Charitable gift annuity (most appropriate for older donors).

Income

How am I tracking versus my projected income/consumption needs?

Take time to reassess your household cash flow statement and balance sheet and course correct at this point if necessary.

Work with your advisor to change the risk of return profile of your portfolio; change spending patterns.

Insurance

Is my insurance up-to-date?

Review liabilities and commitments.

Keep policies up-to-date; fund premiums.

Investments

Am I saving too much?

Whether your required capital base is more than you need.

Donate more; give more; live more; enjoy!

Review your situation regularly

As your circumstances change throughout the Critical 10, be sure to regularly revisit each of the areas outlined in this guidebook to determine how your financial strategy should adapt.

Have questions? Please reach out to us and get started on preparing for the Critical 10.

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