

# When It Comes To Retirement, Planning Is Everything!

**By: Patrick Longhurst & William Jack**

**T**he justification for planning for the retirement period of our lives is clear. As the Cheshire Cat said to Alice, "If you don't care where you're going, it doesn't much matter which way you go." By planning you obtain an overall picture of your retirement:

- ◆ Are the lifestyle and financial elements of the plan aligned?
- ◆ Are there particular minefields you need to avoid?
- ◆ Are there major decisions which need to be made now or at some point in the future?

Assuming that your sources of retirement income are sufficient to provide for both core expenses and anticipated special events, the key questions then become:

- ◆ What will I do with my time?
- ◆ How will I protect myself against unforeseen circumstances?
- ◆ What will I do with the excess?

## PLANNING YOUR LIFESTYLE

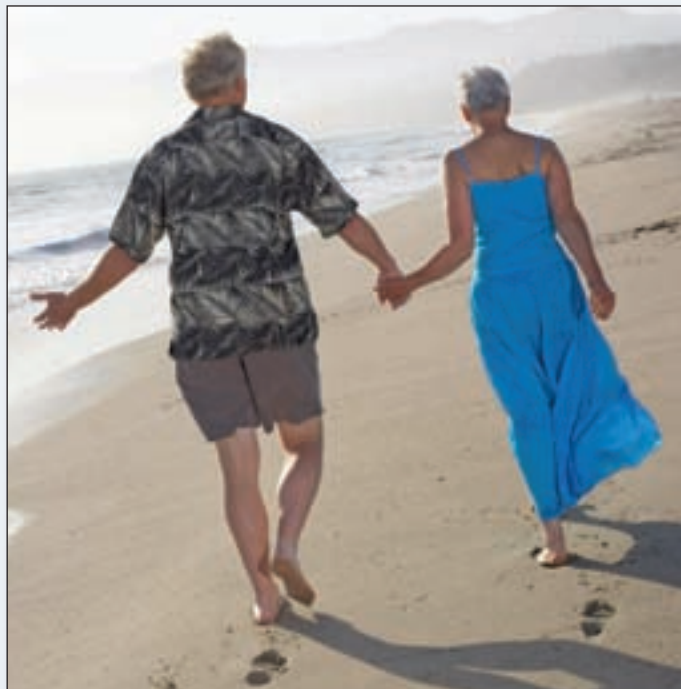
When we are working full-time, it is sometimes hard to believe that we have more than 100 waking hours a week to fill. When we retire, the opposite is true. We have the ability to create our own lifestyles in a way we have never known in our lives before. This can be a blessing or a curse and planning is the great differentiator.

Research has shown that the more demanding your job, the more difficult the transition to retirement is likely to be. Leaving a job on Friday, where you were working 60 hours a week, to go to a life on Monday where you have zero commitments is almost certain to harm you both physically and mentally. Most of us need a structure in our lives and it is up to us to create one. The key to this process is to build something that you retire to, rather

than focus on what you have retired from.

The process requires comparing future sources of income with expected sources of expense based on the lifestyle plans you have developed. You need to include the costs of daily living including vacations, major life events such as weddings or home renovations, and taxes.

Naturally, these projections also include a large number of assumptions about the future ranging from rates of return and rates of inflation to life expectancies and auto-



mobile costs. The only thing we can be sure of with these assumptions is that most of them will ultimately prove to be incorrect. However, they represent the best attempt that we can make at the time. Despite these shortcomings, these projections are valuable because they require the discipline of bringing together all your financial information in one place at one time and, over time, they create a comprehensive picture of where your finances are heading.

## DEALING WITH THE EXCESS

Charitable giving is a popular topic for many of our clients, given the number of approaches that are available and the favourable tax treatment of each one. Once again, this is a topic better dealt with in your planning than as an afterthought at the end of the day, when it is likely you will be giving more of your money to the government in the form of taxes and less to the actual charities you would like to benefit.

Retiring boomers are also wrestling with the challenge of helping their children now, rather than later. Many of us like the idea of keeping our children somewhat 'lean and hungry' so that they are driven to make it on their own, rather than knowing that their future is assured whatever they may do. However, some gifts, used creatively to help with the purchase of a first home or the setting up of an entrepreneurial business, will be greatly appreciated. It is hard to know how generous to be now, without having an overview of the long-term implications for your own security.

Of course, the other element of planning your estate involves keeping your wills and powers of attorney always current and reflecting your wishes. We are often surprised at how many clients with complex personal situations take a cavalier approach to these documents which are so reasonable to update.

As a final word, include fun in your plans. Without it, retirement will be a very dull time. ◻

*Patrick Longhurst and William Jack are certified financial planners and principals of Longhurst & Jack Inc., a firm which provides independent advice to individuals approaching retirement.*