

## Retiring Your Way

By Gail Vaz-Oxlade

Retirement: "Statutory senility" [1]; "An elegant sufficiency, content, ... rural quiet, friendship, books" [2]; "Retire? Retire to what?" [3]

The thing about retirement is that there are just as many versions of it as there are people who contemplate it. Take Peter Togni. At the ripe old age of 40 he's cut back on his corporate commitments and moved to Seabright, Nova Scotia to follow his bliss. After more than 40 years in real estate, Sheila Waengler is still in the business. She had planned to take the summer off to paint, but there were islands to sell in Georgian Bay. And Herb Barrett? Well he followed the more traditional route — what we think of as retirement — and is enjoying 'the good life'.

What do these three individuals have in common? Absolutely nothing. And it's likely as much as you'll have in common with your brother, neighbour, or co-worker when it comes to describing what retirement is and how you're going to do it. A hugely personal endeavour, trying to define what retirement should look like is an impossible task. Making preparations so you, too, can follow your bliss — ah, that's another story entirely.

### Restyling As You Like It

Leaving the plum job as host of CBC Radio 2's Stereo Morning seems counter-intuitive when it comes to financial security. "There were a lot of people who thought I was crazy." But Togni tired of trying to squeeze every last drop from his bustling life. "The hours were hell." Between the early morning show and gigs in the evening, Togni was wiped. He decided to clarify his priorities and work on the achieving the things he considered most important.

In September 1998, Togni, his wife and four boys, ages 3, 6, 8, and 11 moved from Toronto to Seabright, Nova Scotia. He and his wife had been envisioning a different lifestyle for their family. "I wanted to bring my children up closer to nature. My biggest joy now is seeing how happy my boys are here." Nova Scotia was an easy choice. Not only was the CBC offering a job that would give Togni all the flexibility he was looking for, the place itself was drop-dead beautiful. "We fell in love with the romance of the place." And what does he like most about the choices he and his family have made? "I like looking at the stars" says Togni. "I love the quiet of where we live. There's something so peaceful about his place."

While lifestyle was the primary factor, his avocation ran a close second. "I wanted more time to compose, to spend with my trio. I wanted a life that would incorporate a lot more solitude." That's just what he got. "It's been really good for the writing. And I enjoy having more time to plan my show."

### Balancing Income & Expenses

Restyling didn't come cheap. "Obviously my CBC income went down" says Togni referring to the fact that he moved from a five-day-a-week presence to a weekend show. And typical of any restyling, some of his expenses went down — "Our mortgage payments are much lower, and the house we bought is bigger on three acres of land." — while others went up — "Gas is much more expensive here."

### How Much Will You Need

Wish you could stop right now? Want to switch from spending your life's energy on your vocation to rejuvenating yourself by following your avocation? Get out your calculator, it's time

to do some math.

1. Add up the income you'll receive from all sources. That'll include government benefits, company pension plan, minimum payment from your RRIF (once you convert your RRSP), as well as any nonregistered investments you may have generating an income.
2. Estimate your monthly expenses. The devil is in the details, so don't leave out all those little things like movies and magazines, as well as the expenses that come only once a year, such as insurance. And yes, taxes are an expense.
3. If your expenses are greater than your income, it's time to consider your alternatives. You could:
  - take more from your registered plans and hope the money doesn't run out before you do.
  - sell non-registered investments and start using your capital.
  - review your projected expenses and look for ways to minimize your monthly costs.
  - redo your investment mix to increase the growth on your retirement savings.
  - consider delaying your retirement so you can accumulating more assets or catch up unused RRSP contribution room
  - re-envision your restylement to include a new career or part-time work
  - consider renting a part of your home to generate more income, or using a reverse mortgage to draw on your equity

### **Tax-Smart Restyling**

If you thought taxes were the bane of your existence while you were working whole hog, they become even more so after retirement. With less income, or perhaps just because age brings with it a certain orneriness and impatience with watching your money being spent in ways you don't approve of, retirees become vigilant about claiming every deduction and credit that is their due. And so they should, as should we all.

Because Togni moved to Nova Scotia to take the job with the CBC in Halifax, he's able to write off much of the costs associated with the move. While the costs covered by the CBC aren't tax deductible, all the other costs associated with the move would be — everything from storage costs, to meals and lodging near either his old or new home for up to 15 days, to the commission and other sales costs associated with selling and buying a new home. Smart Togni, and smart you too, if you decided to coordinate your downsizing to a new neighbourhood with the beginning of a new job — even if that job is self-employment. As long as you move to a new home that is 40 km closer to your new work location — that little sunlit studio on the south side of your new home would make a nice office, wouldn't it? — you can deduct the moving expenses.

### **Planning for the Future**

While many financial planning discussion would leave you feeling that retirement is the period, the full-stop, in the sentence of your life, retirees know that there is much still to be written after retirement. Whether you are 70, 60 or 50, there are years yet in which to deal with the challenges of life.

Certainly for Togni, just halfway through the normal life of a vigorous and healthy man, there are still many notes to be written. So how will his restyled life change yet again as he grows older? "I don't think anything will look much different because I'd like to continue doing what I'm doing until I drop dead."

From the outside Togni definitely looks retired. He drives into Halifax on the weekends for his

show. He spends more time on his first love, writing and performing music. And you might catch him sitting by the side of the house practicing the button accordion.

“You really have to live now, because you don't know what will happen next.” Says Togni. “I've just known too many people who have worked all their lives and then they got cancer and they're gone.” His desire to live for today doesn't negate his need to plan for the future.

### **Maintaining Self-sufficiency**

Perhaps the most pressing of needs felt as people age is the need to remain self-sufficient. Worry about outliving the money becomes a huge issue as retirees watch their incomes eroded by the ebb and flow of inflation.

With the CBC under constant threat, Togni is patently aware of the need to be self-sufficient. But he doesn't intend to let his life in Nirvana hinge on the fate of the CBC. “There is such a beauty to this place, and a peace about it, that it would be very hard to give it up.” One step he's taken is focus on generating more of his income through his own company, Togni Productions Limited. And he's working on building up the asset base in his company to provide his family with the financial security to be self-sufficient. He also plans to pour more money into his RRSP. And the idea of being debt free by the time he draws CPP — will he finally be “retired” then? — has definite appeal.

The question then, of course, is how much money is enough? Depending on the source of income, and the direction of your expenses, the answers can be quite different for each person. For just as each person's retirement is vastly different, so is each person's need for a pool of funds from which to draw. With a well-indexed and ample corporate pension plan, good health, and a quiet lifestyle, little or no capital may be needed later since your income needs may never exceed your regular income stream. On the other hand, if you've been living on fixed assets that have depreciated because of inflation, or if your expenses have risen dramatically because you're finding retirement way too much fun, then a capital pool upon which you can draw may be more of a necessity than a luxury.

That pool of assets may take many forms from drawing on the capital invested inside and outside registered plans, to using a reverse mortgage to tap the equity in a paid-for home. And that decision, in large part, is dependent not only on your financial circumstance, but also on your desire to leave behind a little something for your children.

### **The Sweet Hereafter**

Togni would like to provide for his children's future. He looks at the costs of education, and thinks part of his estate should go to helping his boys find their own vocation without going broke in the process. And he looks at the tender age of his children and knows he'll have to provide for them for many years to come. Life insurance is a big part of that, and Togni has structured his insurance to provide an income for his wife and kids when they would need it most.

If your death would cause economic hardship to others, life insurance may be the answer. The amount of insurance you need will depend on the purpose of the insurance:

- To protect your family's income and lifestyle in the event of your untimely demise, the product of choice is term insurance. Usually the cheapest form of insurance, particularly for older buyers, it provides coverage for a predetermined period of time. So if your young'uns are just eight years from self-sufficiency, you can buy a ten year term to see them through.
- To provide for funeral expenses — again, depending on when you buy it — term

- insurance may be the least expensive. Since this is usually a relatively small amount, it is often lumped in with other expenses associated with winding up your estate including accounting, legal and probate fees.
- To provide estate protection, the most effective form of estate protection comes from an insurance policy that remains in effect until your eventual death, regardless of how late that comes: a whole or universal life policy. Who could your estate possibly need protection from? The tax man of course.

### **Traditionalist to the core**

A corporate man for decades Herb Barrett is the antithesis of Peter Togni's self-actualizing man. Barrett retired at 63 accepting an early retirement package that came with full benefits and which was made by his employer after it had been purchased by another large company. "I knew it was only a matter of time," he said, "they just wanted us around long enough to learn what we knew."

Little did Barrett know then that those early years of retirement would be a blessing. It was while he was on a cruise with his wife, Dorothy, that she began to develop health problems. Soon after, just four years into retirement, Dorothy Barrett was diagnosed with a brain tumor. Six months after her 65th birthday, she died. "I took good care of her. She often worried that I'd leave, but I said, 'You won't get rid of me that easily.'"

A traditional retiree, Barrett has spent much of his life after work pursuing his hobbies. An avid curler in the winter and golfer in the summer, even through his wife's illness, Barrett also volunteers with the Red Cross. At 70, he is beginning to slow down. He stopped curling last winter, and this summer he has "only played a few holes" of golf. Now, he focuses on bridge. With his new partner, Marie, they make the rounds, socializing over cards.

Barrett has the traditional income and expense issues: a pension that provides about 60 percent of his pre-retirement income along with expenses that have gone down in retirement. When he and his wife first retired, they downsized from a house to a condo. Now, with his wife gone and his daughter grown, his estate planning issues are simple. He has no insurance, no debt, and sufficient assets to see him through the rest of his life.

### **Much Ado About Nothing**

At 70, Sheila Waengler can't imagine not working. "I'll never really retire because I think the brain needs the stimulation." She doesn't understand why people who have enjoyed their work would ever stop. "Now if they've hated their work," she chuckles, "then they should retire as soon as possible."

Waengler has slowed down somewhat. She doesn't chase after business anymore, "I let things happen and if they do that's fine". A passion for houses and people keeps Waengler in the business. The daughter of an architect, she learned to love old things from her father. That later translated into an appreciation of Victorian "townhouses", a term Waengler takes credit for introducing to the Toronto market.

### **Managing A Shift In Focus**

The transition from working to not, or from going full throttle to coasting is one that's often overlooked in terms of planning. For some reason we believe we will be able to make the change — and it usually involves huge change in terms of activity level and socialization — with little or no practice. Dumb, dumb, dumb. Without a plan for how we will gear down, change our pace, move to the new drummer's beat, we can be left feeling lost in a landscape that is very unfamiliar: a landscape of more time and less to do and, often, fewer people with whom to do it.

Since the early 90s, Waengler has been “getting her feet wet in the Bay” as she decided to devote more time to selling islands. “It’s new and different,” she says, her voice sparkling. Playfully she adds, “My husband doesn’t like me leaving now for even an hour. He used to like to keep me hustling, but now he wants me to stay home.” All plans to catch up on her reading this summer have gone out the window. “I’m worked off my feet here in Georgian Bay, and things just keep coming.”

### **Older Means More Conservative, Right?**

Another financial planning myth that is being debunked is the whole idea that as you get older you automatically need to become more conservative in your investment style. The rule of thumb used to be that you reduced your equities in proportion to your increased age. So while a lass of 40 would be advised to hold 60 percent of her assets (100 minus her age) in equities, by the time said lady turned 70, she would only have about 30 percent of her money at risk in the market.

Like all good rules of thumb, this one is on its way out of vogue. Now we see no reason why the investment mix we had the day before we retired should be any different than the one we hold the day after. And if a girl were to be 70 percent in equities just before retirement, why should that change, regardless of her age, simply because she’s now moved into a new stage of her life.

Concession is made to the fact that a shortened investment horizon means more conservative investments. After all, if you’re going to be using the money any time soon, it shouldn’t be exposed to the crashing waves of the market.

Despite being a woman who considers herself to be fairly conservative, Waengler has a strong taste for equities. Her very healthy investment portfolio — Waengler contributed as much as she could each year to her RRSP which she has since converted to a RRIF and has "a fair amount" of unregistered investments — is invested through three brokerage houses. She likes technical stocks and was one of the few people who made money on Bre-X. Has maturity changed her investment mix? Not much. She still has all the property she’s bought through her life in real estate, and she hasn’t tinkered much with her asset mix.

But there’s no reason why Waengler would do anything to change the status quo since despite being retired she still pulling down a good income. Added to her real estate income is the income Waengler generates from her investment properties which she manages herself. She’s been drawing CPP since 65, but derives no benefit from OAS because of the clawback provision.

### **A Tax-Smart Retirement**

“We were never big spenders,” says Waengler explaining that her lifestyle with her husband is comfortable but simple. “Our expenses now are higher than they used to be.” To mitigate those increased expenses, Waengler uses her work to reduce the expenses associated with the island she and her husband own in Georgian Bay. “I can take a big chunk of our cottage expense and the boat off my taxes. Without that, I would feel this [cottage and island] was an awful extravagance.”

Extravagant or not, Waengler is clearly enjoying her life. While her words are full of the intention to slow down, to put water colour to paper, to read the stack of books gathering dust, the people, the islands, the houses continue to beckon her to work. And the next time the telephone rings because a client needs her years of wisdom and experience, she’ll jump in her boat and head off to close the sale.

Three people, three distinctly different ideas about what retirement is. Virtually everything about the way the people are doing retirement is turning the concept on its ear. Not prepared to settle for the lazy, hazy twilight of life, we're beginning to see a reversal the trend in declining retirement age as retirees replace the rocking chair with new careers and efforts to self-actualize. For those who define themselves as retired, it's sometimes hard to tell just why "retired" is the title they choose to use since their lives often echo George Bernard Shaw's sentiment, "I want to be thoroughly used up when I die, for the harder I work, the more I live."

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## About Gail Vaz-Oxlade

Gail Vaz-Oxlade has written ten books on personal finance, written hundreds of articles for the financial media, published a financial magazine for women (FinancialXPress), hosted and co-produced a prime-time personal financial television show (Your Money on TVO), and worked with Canada's leading financial services companies to help educate employees and clients.