

...talking **about** money®

Retirement starts. Then what?

Most Canadians are happy in retirement and feel in control of their lives. A 2000 Environics Research survey of retired and semi-retired Canadians found they are satisfied by their overall sense of financial and emotional well being. Fifty-five per cent of those surveyed experienced a decrease in stress after retiring. And 43 per cent found more intellectual stimulation. While 29 per cent said they were concerned about not having enough money to last through retirement, a resounding 68 per cent said they were confident they could sustain their comfortable lifestyle.*

Today, as early retirement becomes more common and people live longer, the next generation of retirees will have even more time and greater opportunity to fulfill its dreams than previous generations.

With that in mind, this information guide was written to help make your retirement as good as it can possibly be.

Ready for a long retirement?

Canadians are living longer, healthier lives. The average life expectancy for men is 76 years; for women, 81; and life expectancy at birth is continually rising.** As a result, your retirement years may almost equal your working ones – 20, 30 or more.

** Statistics Canada, 1997.

* Throughout this guide, asterisks refer to research conducted in January 2000 by Environics Research Group Inc. for Trimark Investment Management Inc.

Make the most of your retirement: View it in phases

If you're like most people who've worked hard all their lives, you're looking forward to retirement as a time for living your dreams and enjoying newfound freedom. And as retirements last longer, the media and health experts are drawing more and more attention to the quality of life after work and the importance of living it to the fullest.

That's why "retirement" is really a misnomer – your life can be as active as you want it to be. To help you make the most of these years, experts suggest viewing your retirement in 10-year phases. "The first 10 years of retirement will be different from the second 10 and so on as you grow older," says Rhonda Katz, a Toronto-based family therapist. "Your interests will change over time, dictated by both physical and emotional changes."



Get ready for your transition from work to home

Retirement is a significant period of adjustment that shouldn't be underestimated. In fact, 23 per cent of the survey respondents said they found the transition to retirement "somewhat" or "very difficult."

Perhaps the most dramatic transition is from the life-long effort of saving money to having to spend it over a comparatively short period to support retirement.

Canadians, upon reaching 69, are required by the government to convert their RRSPs to a Registered Retirement Income Fund (RRIF) or an annuity. Then, instead of saving, a portion of their tax-deferred money must be drawn out and taxed annually on a government-defined schedule.

"Many people have saved all of their lives for retirement," says Katz. "Then, they must quickly change this learned behaviour and become spenders, not savers."

Another part of your transition may involve the loss of routine, sense of identity and social contact that comes with a job. This is not unusual in the period immediately following retirement. Of the 25 per cent of retirees surveyed who sought some form of paid work, 31 per cent pursued work to offset the effects of reduced social contact and a change in routine.*

The three phases of retirement

Phase One: Exuberant

Between ages 55 and 70, the average retiree will spend the equivalent of approximately 70 per cent of pre-retirement income. He or she is healthy, wealthy and driven by dreams of a lifetime.

Phase Two: Settled

Between 71 and 80, the amount spent decreases to about 50 per cent of pre-retirement income. Life is starting to slow down and the emphasis shifts to family and close friends. This is a time to take stock of life accomplishments and focus on subsequent generations.

Phase Three: Reflective

From 81 onwards, spending may decrease markedly as people become less active (unless major, unexpected medical expenses such as long-term care emerge). A large portion of the household budget is directed to intermittent nursing care.

Here's one way to ease your transition into retirement, from Rhonda Katz, family therapist.

"One month after you retire, consider having a dinner party with your family and best friends to talk informally about your retirement. This will encourage you to celebrate your strengths and successes – and that can be highly motivating."

Looking ahead, bouncing your initial feelings about retirement off others may help you focus on areas you're concerned about.

How to find what you love to do

It's important to take the time *before* retirement to identify what you enjoy in your life and think of how you can sustain that level of happiness in retirement. Ask yourself the following questions – “answering them honestly,” says Katz, “can revitalize the intellectual, spiritual

and romantic zest that all people need in their lives.”

- “Is there some aspect of my job that I would love to keep doing?”
- “What dreams do I have that can only be fulfilled *outside* the workplace?”

- “What pursuit gives me the greatest satisfaction today? Will that activity stimulate me in the coming years or do I need to cultivate new interests?”

Considering part-time work?

You may be so passionate about your work that you may not be ready to give it up entirely. Making the decision to become a consultant in your area of expertise could be a logical step. But being a consultant is different from being a full-time employee, regardless of how long you've worked in that field. Clearly define the financial and health risks (if any) involved. Talk with family members, as well as others who are self-employed. The right choice can enhance your life while supplementing your retirement savings and government or employee pension. You'll be staying involved and socializing at the same time. This might also be the opportunity to work part time at something new that has always interested you.

Find fulfillment in volunteering

When volunteering, make sure you are emotionally and intellectually stimulated. This is for your benefit as well as the organization you're helping. It's not surprising that many of the most satisfying positions come with no remuneration. You are there because you and the organization share the same goals and you relate to your colleagues.

Help someone grow by mentoring

You may find that mentoring is an ideal way to share the skills you've developed in life. Whether working with a younger person or a peer who is learning a new skill, you'll gain a great sense of personal satisfaction as you see the person develop as a result of your joint efforts.

For example, let's say you are an accountant and a member of a church or synagogue. Consider working with a person in your congregation who is studying finance and help him or her prepare to manage your church or synagogue's finances.

Or, if you're a good golfer, take some time to help a promising junior work on his or her game. Coaching sports can grow into life coaching that can be rewarding for both the teacher and the student.

You and your family are starting a new life

Many retirees say, “Now that I don’t have a job any more, I can spend more time with my spouse and kids.” Their families are suddenly more important to them, and they savour the opportunity to explore shared interests.

Twenty-eight per cent of respondents surveyed said they now spend more time with their families and more than half of married retirees said their relationship with their spouse has improved.*

Few activities can bring as much joy as spending time with your grandchildren. Their curiosity is unrelenting, their energy boundless. They can deliver mental and physical rejuvenation.

“This is a time to re-establish your connection not only with your life partner but with other family members,” says Katz. “You can make the most of the time you spend with your children and grandchildren by carefully managing their expectations about your availability.”

Plan in advance when you can offer more or less time to be with them. For example, if you want to work on your cottage garden, then let children know you won’t be available during certain summer months, and stick to your plan. This way, you won’t feel guilty about saying, “No” and will see your time with family as more fun, rather than an obligation.

Make education a lifelong pursuit

Education doesn’t have to take place in a lecture hall or classroom. In fact, it can take place anywhere you wish.

There are many ways to satisfy your intellectual appetite throughout retirement. Often it can also involve family and friends. For example, consider forming a book club with

friends. Rather than begin with a lengthy book, get the ball rolling with a short story or contentious magazine article and follow up with a first “club” meeting in your home.

Gaining basic computer skills will also open new doors. The Internet is probably the most efficient way

to communicate with people around the corner or around the world. It’s something you and family members or friends can explore together when making travel plans or researching an interest.

Travel and other leisure activities

Nearly half of Canadian retirees say that leisure activities take up the largest share of their time.*

That’s easy to appreciate given the fact that, when you retire, the phrase, “the world is your oyster” often applies. Travel is often the first thing that newly retired people think of when planning how to spend their time. And careful financial planning will allow you to broaden your

horizons and meet new people. Planning a trip also offers something to which you can look forward. It’s important to plan other leisure activities that complement your lifestyle, personality and energy level, whether it’s curling, sailing, lawn bowling, gardening or anything else that comes to mind.

How to support what you love to do

Seven steps to financial wellness throughout retirement

1. Take stock of your financial situation well before you retire and monitor it closely. It's important to prepare yourself for the transition from saving to spending as your tax-deferred savings and investment vehicles are converted to income.
2. Calculate your income sources from government pensions, defined benefit and defined contribution pension plans, RRSPs and RRIFs, tax credits and deductions (pension income credit, age credit) or part-time work.
3. Make sure your estate planning strategy is in order. You'll benefit from the peace of mind that will result. For a free copy of AIM's insightful booklet, *Your Estate Matters*, call 1.800.874.6275.
4. Most people require 70 per cent of their current income to maintain their lifestyle in retirement.
5. Meet at least quarterly with your financial advisor, or as your situation changes. Include him or her among your counsellors. Based on the complexity of your financial and estate planning needs, this group might also encompass a lawyer and an accountant.
6. Strike the right balance between risk and return in all of your investments. Do only what makes you comfortable, remembering that your nest egg must grow to keep pace with your living requirements. This involves taking on an element of investment risk.
7. Consider your tax strategy outside your RRSP.

That's in today's dollars: Remember that your costs will increase due to the rising cost of living. Plan expenditures carefully.

Sufficient financial preparation may allow you to retire earlier, but you may not necessarily be able to stop working altogether. Twenty-five per cent of the retirees surveyed still engage in a paid work activity and 29 per cent said they work because they need the money.* However, proper financial planning will mean you'll have the option to cut back on work, for example, or start your own business. You'll be able to work because you *want* to, not because you *have* to.

Enjoy a healthy retirement

The importance of fitness in your new life can't be underestimated. Nearly 45 per cent of respondents say they became more physically active after retiring.* And the emerging trend of high fitness levels among septuagenarians (70-79 years old) and even octogenarians (80-89) will continue as subsequent

generations devote more time to physical conditioning.

"Your physical health is affected by your emotional state," says Katz. "Besides helping you live longer, active living makes you a more vibrant, dynamic person. It's important to talk to your doctor

before you try something new.

Like other activities in retirement, it's best to ease into them gradually."

You and your spouse or friends can together explore different ways to keep fit, whether it's distance walking on a regular basis or more intense exercise such as tennis or swimming.

Write your own retirement story

The adage “life is what you make it” is never more true than in retirement. It’s also been said that the best way to predict your future is to invent it.

“Remain curious and connected to the world around you, and be grateful for the opportunities you have in life that previous generations did not,” says Katz.

You’ll ultimately be the author of your own retirement story, and whether it unfolds as happily as you know it can, depends on your resolve to make the most of it.

A retirement survival guide

Sound retirement planning consists of both mental and financial preparation and should begin as early as 10 years before your last official day of full-time work. Here’s what you should consider.

Ten years before you retire

Mental preparation

- Rhonda Katz, a family therapist, suggests making a list well before retirement of all the things you’d like to accomplish. “Whether it’s paragliding along the B.C. coastline or building a model ship, write them down. Then, review the list, ruling out the most unlikely activities while keeping the ones that make sense or are offbeat but still within reason.”
- Renew lapsed friendships and broaden your circle of friends. It’s important to keep cultivating new friendships, as existing friends will gradually pass on. Start to develop new hobbies that you can enjoy through retirement.
- Get physically fit. Assess your diet and exercise habits. Your health affects your psychological well-being.

Financial preparation

- Concentrate on building your retirement savings.
- Confirm details of government and company pension benefits.
- List anticipated retirement expenses to help determine how much you’ll need.
- Assess your current expenses to see if you can divert money into your retirement nest egg.
- Review your investment portfolio with your financial advisor. Remember you still need to take on some risk to grow your investments because you’ll be living a long time.
- Assess your insurance policies. Will they reflect your needs as you and your spouse grow older?
- Make sure your will and Powers of Attorney are updated, and begin estate planning to ensure your assets will be transferred to your heirs with minimal tax impact.
- Explore your options regarding early retirement. This can be an attractive option for some people who have sufficient savings and can maintain their standard of living.

Five years before you retire

Mental preparation

- Many experts recommend that couples not retire at the same time. Consider how you will manage the change in your schedules and also, income when one of you retires.
- Do you plan to live in your present home after you retire? Now is the time to consider upgrades.
- If you are planning to move or downsize for financial or lifestyle reasons, do your research by spending time in the area, especially if it is outside Canada. Consider the cost of living, availability of medical care and safety factors.

Financial preparation

- Maximize your registered and unregistered investments.
- Watch the local housing market closely if you are planning to sell your home to finance your retirement.
- Revisit the budget you made 10 years before retirement and compare it to your five-year budget. Does it still apply?
- Research retirement income options now. Talk with your financial advisor about a gradual move from equity into balanced investments to manage risk.
- Finalize your estate plan. Consider RESPs for grandchildren.

One year before you retire

Mental preparation

- Identify specific trips or projects you and your spouse will undertake together. If you are going to pursue a new hobby or career, start allocating the money you'll need now.
- Get your living space ready. You'd be surprised how many items you will have accumulated.
- Let your friends and colleagues know of your imminent retirement. Block out activities in your first year of retirement on a monthly basis, so you'll always have something to look forward to as you adjust.
- Catalogue your belongings. Knowing the value of your assets can provide peace of mind.
- If you're planning a retirement party, start planning it now.
- Become more active in a club or group you are enjoying now so you can begin to replace your social network at work with a new network.

Financial preparation

- Speak with your financial advisor about income-oriented investments in your portfolio.
- Determine your retirement budget on a monthly, item-by-item basis including food, home, transportation, leisure and health costs.
- Review your employment and government pension income sources. Is the information up-to-date?
- Revisit your will and estate plan to reflect new grandchildren or any change in family structure. For example, this could include reworking your will due to a marriage or divorce.
- If you're nearing age 69, begin to plan the conversion of your RRSP into an annuity or a RRIF. You must wind up your RRSP by the end of the year in which you or your spouse (if he or she is younger) turn 69.

... talking **about** money®

After you've made a list of your retirement life goals, sit down with your financial advisor. He or she will help you set investment goals to make your life goals a reality.

The adage "put money ahead and worry behind" makes sense, especially when it's applied to retirement planning. Now is the time to start.

AIM publishes a number of different materials to help families talk about money. For more information, please call **1.800.874.6275** or visit www.aimfunds.ca



MKREISE(09/00)

AIM Funds Management Inc.

5140 Yonge Street, Suite 900
Toronto, Ontario M2N 6X7

Telephone:

416.590.9855 or 1.800.874.6275

Facsimile:

416.590.9868 or 1.800.631.7008

inquiries@aimfunds.ca

www.aimfunds.ca

Sales Offices

Calgary

Montreal

Toronto

Vancouver



TRIMARK
INVESTMENTS™