



# Whatever Happened to “Happily Ever After”?

Ian Burns and Shelley Johnston

**A**h, the good old days. Remember them? I bet it just seems like yesterday when you were busy planning for a new life. Thoughts about marriage, buying a home, raising children, travelling to exotic countries and building careers were busily swirling in your mind as you viewed life through the lenses of excitement and anticipation. So much to do – and you were reaching for the stars.

Before you knew it your children had grown and left. Or you may be a “rebound nester”, supporting your adult children and grandchildren who have moved back in to your home. You may have changed homes, changed careers, changed spouses once or twice. For some, the closest to exotic travel they have had is to read a long-winded article in National Geographic. Instead of soaring like eagles you feel like “KIPPERS” (Kids In Parents Pockets Eroding Retirement Savings).

We worry about our health, our kids, our grandkids. We worry about the ups and downs of the stock markets, allowing the so-called prognosticators to stir up a fear frenzy when there is the least bit of bad news. Their mantra being, “This time it is different.” Well this time is no different than the last time. We will continue to have earthquakes, tsunamis, market meltdowns, and just like the last time people will show resilience and rebound stronger than ever, as will the markets.

Retirement used to be a promise. Yet in North America more than 78 million boomers have no private pensions and those with pension plans see them reduced, changed, or insolvent. Whatever happened to “happily ever after”?

We are living longer lives, but are often more concerned about our children’s futures than our own.

With all the mortality changes, many will outlive their own average life expectancy. If you are 65 today, you need to plan to age 100.

But what does the future hold for you? Will your future be the golden years or will you have those regretful tears?

Perhaps it’s time to give yourself a shake, become a

little more selfish and plan for your tomorrows and all the other tomorrows just around the corner. Your future is now and you can make changes – it’s up to you!

## Lay the Foundation

Block off time in your favorite part of the house. No phone, no cell, and no TVs. You don’t need any distractions. All you need is a pen and paper. Have a nice glass of wine, relax, and get ready to write. First, look at your past to celebrate your victories and achievements. Remember, the favorite trips, graduations, job promotions, special family events; think about those special moments and be sure to write them all down. Think about what you love to do, what makes you tick? What have you accomplished in the past that you would love to build on in the future?

Now that you’re in a positive frame of mind, it is time to create your ideal future.

What does your ideal future look like? Is there a career change, special volunteer work, travel or would you like to open a business? Write it all down and expand on it to focus on seeing yourself living your dream. If you are like most people, you will have turned on one or two hot buttons – things that you would really love to accomplish. This will be the foundation for moving forward.

## Long-Term Goals with Short-Term Transitions

Remember to always work towards long-term goals while focusing on short-term action. We recommend you work on three-year transitions.

For example, by May 2014, I will have achieved the following:

- Eliminated my mortgage
- Transitioned into retirement
- Opened my own consulting company

- Travelled to Australia to celebrate my 25<sup>th</sup> anniversary
- Lost 20 lbs and maintained my new weight
- Increased my net worth by X amount of dollars
- Downsized my home

Don't worry about how you're going to achieve your goals and dreams, just get them down on paper.

## The Big Picture Focus

Now you need to place your goals into the context of your life – now and as you expect it will be in the years ahead. A useful tool is shown in the diagram below. The Big Picture Focus™ provides clarity on where you're headed and how you can get there.

The Big Picture Focus™ has four quadrants: Assets and Liabilities, Tax, Income, and Estate Transfers. The four quadrants show how every decision you make on the asset side has a consequence, and why every decision must



pass through a tax filter. In the middle, put Lifestyle and Goals as a reminder that all quadrants affect the centre, and what you place in the centre has a direct bearing

on how you handle the items in the four quadrants. Let's look at how it works.

## Assets and Liabilities

Under Assets and Liabilities, you want to consider the following:

### Assets

- What's your earning potential, now and after retirement? This is a valuable asset and affects your income. Do you have a job or even a choice? Are you able to work full-time or part-time? For how long? Do you even want to work? And if so, for how long?
- Pension plans - What plans do you currently have? These include OAS and CPP/QPP as well as your employer's plan.
- RRSPs - What's the value of your personal registered savings plans? Your TFSA?
- Investments - What do you have in terms of stocks, bonds, GICs, etc.?
- Home - Consider not just the value but whether you want to remain there. Some people count on selling their house when they retire but forget how much their home means to them.
- Other real estate - This includes land and vacation property. Are you thinking about selling in the future? Passing it on to your beneficiaries? Making it your

permanent residence?

- Corporation or business - You may own a business, be a partner, or be a shareholder. What's the succession plan when you retire? Will you sell it? Keep working part-time?

### Liabilities

- Liabilities - This is where you put down debts, mortgages, credit lines, car payments, etc.
- What other ongoing financial obligations do you have?
- Depending on your retirement goals, what financial obligations are you adding, and what are you removing?

### Tax

The tax quadrant looks at your assets through a tax filter to see how they'll affect your income when you want to retire. Remember the 3 Ds of tax planning (deduct, defer, and divide). They need to be applied to all the quadrants because tax affects your income now, after retirement, and at death.

For the tax quadrant, consider the following:

- **Deduct** - What are you able to deduct from income you're earning?
- **Defer** - What tax can you defer paying now? Can you pay it tomorrow?
- **Divide** - What income can you split, e.g. RRSPs, techniques for splitting pensions, other ways to divide income such as CPP?

### Income

Under income, you want to consider both current and future income (if you're already retired, this will be the same).

- Current income - What's coming into your bank account on a regular basis? How do you handle your salary, interests, and dividends now?
- Future income - Where will this come from? Look at your various sources for retirement income, pensions, annuities, continued earnings, dividends, and trusts.
- What are the tax implications of what you earn now and what you'll earn later?

### Estate Transfers

This area covers what you've put in place regarding your beneficiaries after you die, according to your wishes. It includes your will, powers of attorney, and other asset-transfer techniques. Again, estate transfers must always be looked at through a tax filter so that you make sure that your family is the beneficiary, not the government.

## Cash Flow/Budget

Once you've completed the Big Picture Focus™, you need to create a cash-flow budget. This may not be something you've done in the past, but it's essential for understanding where your money is coming from, and going, so you can compare it to what you need in three, or five, or ten years and see how you will pay for it. You may want to travel, renovate, downsize, upsize, or start a new career. This affects the money in your savings, what pension funds are locked in, what income you'll need compared to expenses.

A cash-flow budget simply lists all your expenses for a month and compares it to income for that month. Don't worry if the numbers aren't exact. This is just an estimate. Once you do this for 12 months, you'll have a clear picture of your annual cash flow.

Now determine your cash flow. You do this by adding up the total of what you earn minus what you spend. Do the same for when you retire. It helps if this is positive, but if it isn't, you need to adjust your lifestyle so you're living within your means.

Once you've completed the steps above, it's a good idea to set your work aside for a day or two, and then return later with fresh eyes. You want to make sure you've been honest with your answers and realistic about your assumptions.

## Follow-Up and Review

Now comes the fun part. If you've completed the exercises accurately and openly, you will see that your future is a lot brighter than you thought. It's now time to take the next step. Bring out your paper and pen again and write down the actions you will take immediately to get closer to your dreams and goals. You may need to clean up some situations in your life, take some courses, book some free time or change your investments. Remember these are the first steps to that life you have always wanted to live.

Next up is to celebrate your victories. Keep a journal and make sure you're not taking your eyes off your three-year transition. Build your "roadmap to success" by reviewing your progress every three months. Check off what you have achieved in the last quarter and add what you are going to do in the next one. Look for progress and not perfection.

If you follow these steps, we believe your future will be better than your past. But more important, you can look forward to that future with confidence and spend the rest of your life living your dreams "happily ever after".

*Ian Burns, CLU, ChFC, EPC and Shelley Johnston, CFP, EPC, The Pension Specialists, Whitby, ON, (888) 279-0622, [info@pensionspecialists.ca](mailto:info@pensionspecialists.ca), [www.pensionspecialists.ca](http://www.pensionspecialists.ca)*