Why my financial planner is a great investment

Sheryl Smolkin · February 4, 2015

Rona Birenbaum: Caring For Clients

My husband and I have been working and saving all of our lives. Our house is paid off and we have no debt. But like almost everyone looking ahead to retirement we didn't really know how much money we need to retire comfortably.

So we decided to consult independent, fee-for-service financial planner Rona Birenbaum at Caring for Clients. I have interviewed her for articles many times in the past and I feel very comfortable with her approach.

Our goals were to:

- Find out how much we could withdraw from our investment accounts each year based on a "broke at age 90 scenario" which does not take into consideration the value of our home which we view as a potential estate for our children and a slush fund if we both live longer.
- Come up with a road map for how to withdraw funds most tax-effectively from our registered and unregistered accounts.
- Find otu how to tax-effectively move to self-administered lower fee investment accounts from our full-service broker.

In order to give her the information to evaluate our situation and develop a plan she asked us to state our goals for the project; answer questions regarding our risk tolerance and inventory all of our assets and liabilities.

The most difficult part of our homework was a complete analysis of our spending in 2014. I started off with a google spreadsheet and gave up. Then my wonderful accountant Marnie Brehm at MacKay Brehm and Smith in Burlington helped me set up our household accounts in QuickBooks, the same program I use for my business records,

Through the month of December I spent hours and hours entering data from our joint credit card, my husband's personal credit card, my business credit card (expenses I will no longer be able to write off) and our bank accounts. My left arm felt like it was frozen on the mouse most days and I was cross-eyed by the end of each session, but I persevered.

I found out (but was not really surprised) that our biggest expenses in 2014 were for food, entertainment and travel (including several family trips). It looked like we would have to cut our expenses by about one-third in retirement in order to live within our means.

However, I based this rough calculation on adding up my pension and our government benefits and topping it up with 4% of our savings annually. But I did not have the tools or the training to properly factor in taxes, inflation and depletion of our accounts over time so I knew that we needed professional help to get it right.

And I'm so glad we did!

When we met with Birenbaum in mid-January she had a huge grin on her face. "This is such a good news story," she said. With roughly half of our required retirement income coming from my partially indexed company pension and both of our CPP and OAS benefits, we can draw the money we need based on our spending in 2014 (indexed 3% for inflation) from our investment accounts and not sell our home until we are age 88.

Her assumptions were very conservative. She assumed neither of us will earn anything in retirement (which is unlikely for at least the first few years) and 4% earnings on our portfolio. She noted that currently our portfolio is a bit aggressive at 47% fixed income and 53% equities but since about half of our annual retirement income will come from fixed pension income this is not wildly out of whack.

What was a surprise, is that she did not recommend we move into self-administered investment accounts with low cost ETFs. Most of our money is in dividend producing stocks and other instruments we buy and sell infrequently so overall our fees are not high. Also we have a very large amount of unrealized capital gains so we would take a real haircut if we sold them simply to buy funds with a low MER.

She suggested that my husband not take CPP and OAS until at least age 66 (depending on when he stops working) as the payments will be higher if he waits and higher pre-retirement income + OAS, CPP in the year before retirement could result in an OAS clawback in the next year,.

Until age 71 she told us to take money from my company and unregistered ccounts first and wait to convert RRSP savings and LRIF savings until we have to. TFSA money should be the last to go.

We discussed "joint and last to die" life insurance to fund taxes payable on our estate. However, we concluded that the hefty premiums ($6,000+/year) for $350,000 of insurance was not worth it because we would rather spend that money for trips and other gifts to our children and grandchild while we are alive to see them enjoy it.

We left with a binder that includes lots of resources and a Financial Plan Summary plus two important spreadsheets in paper and electronic form:

- A spending spreadsheet that shows which accounts we will withdraw money from each year, how much and how our assets will be depleted as a result.
- A net worth spreadsheet illustrating how our assets will reduce over time.

Caring for Client's fee was $3,000 + HST and Birenbaum will make any changes requested and offer counseling for no additional fee until the end of the year. After that we can access further services for $300/hour. It was a bit pricey, but we believe it was money well spent. We are also professionals and think other professionals deserve to be properly paid for their work.

Besides, what we really paid for is peace of mind. And being able to confidently look forward to retirement definitely makes it a great investment!..

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By Sheryl Smolkin

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