MoneySense

# Rich at any age: In your 60s

**You're in the home stretch, but you're not done yet**

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Once you reach your 60s, your retirement should be almost within reach. Now is a good time to fine-tune your plans to help ensure as smooth a transition to retirement as possible.

You should gradually be trying to figure out the kind of retirement lifestyle you'd like, how much it will cost, and how long you'd like to keep working. That in turn determines how much you still need to save.

At this stage, you probably have lots of options. If you find you have lots of money, you may want to retire early or change jobs and do something you love for less money. If you find your finances are tight, you may need to think about working longer than you would otherwise prefer or perhaps look for ways to scale back on your retirement lifestyle.

If need be, delaying retirement for two or three years can have an outsized impact. That's because you can draw down more each year from your nest egg if it doesn't have to last quite as long, and your government pensions pay more each year if you start them later. Often there are other things you can do to bolster your finances, like downsizing and relocating your home to a less expensive but still attractive location.

It's a good idea to try to envision the retirement lifestyle you'd like to have in greater detail. Trying out hobbies and activities while you're working can help. In general, you should be aiming to develop an active lifestyle that combines recreation and social activities that keep you healthy, fit and engaged in mind and spirit. That may include continuing to work, but hopefully more because you want to than because you have to. Volunteering can be a meaningful way to help you stay active if you don't need money.

# The price of retirement

The cost of enjoying a typical middle class lifestyle in retirement costs less than many people think. You typically see many of the costs you had in your middle years decline or disappear including those for the mortgage, supporting kids, work-related costs (transportation, wardrobe, EI and CPP contributions), saving, and income taxes.

In my view, a comfortable middle class retirement costs about $42,000 to $72,000 per couple (including taxes as one of the cost items) provided you have your home paid for. The equivalent amount for a middle class single is roughly $30,000 to $50,000. As financial planner Annie Kvick of Money Coaches Canada in North Vancouver says, it’s important to have the basics covered and at least enough for a little bit of spending on “fun things” like entertainment and travel. Aim to have at least $5,000 per single or $10,000 per couple for enjoyment rather than necessity.

# Rejig your portfolio

Now is also the time to start adjusting your portfolio for retirement. You need to be particularly wary of the potential impact of a big downturn in the market. That's because if you have to keep selling stocks at beaten down prices in order to generate cash flow to live on, your portfolio may become so depleted that it may never benefit from an eventual recovery in the market. This can have a particularly devastating impact on your portfolio if a big market downturn strikes in the first few years of retirement.

The way to protect yourself is to structure your portfolio in such a way that you can wait out potential market downturns without the need to sell stocks at beaten down prices. My advice would be try to ensure at the start of retirement that you can generate five to 10 years worth of cash flow for at least basic needs without being forced to sell stocks or long-term bonds at inopportune times. There are different ways to do this and they include some combination of cash flow from government and company pensions, reliable sources of dividend and bond interest, bond or GIC ladders, annuities, as well as having a reasonable reserve of cash and short-term bonds.

It's also a good idea to make sure your portfolio has the right balance between stocks (for higher expected returns) and bonds (for stability and a little income). Most experts recommend you keep somewhere between 40% and 60% in each category depending on your individual circumstance and risk tolerance.

You will also need to plan to make drawdowns from your portfolio in a tax-effective manner once you do retire. This can get complicated if you have lots of money in sources that are taxed on withdrawal (like RRSPs) as well as sources which aren't taxed then (like TFSAs and non-registered accounts). In my view, the best approach is to take a balanced approach to withdrawals between taxable and non-taxable sources so that you can even out the impact from taxes and clawbacks. That's because of the progressive nature of the tax and senior benefit system, which exacts a high toll on spikes in taxable income.

Even the best retirement plans can get upended if your adult kids fall on hard times and need to move back home. Not handling the situation right can put a major dent in your cash flow. "Boomerang kids seem to be more and more of a reality these days and for most of them, it's natural to take advantage of their mom and dad's goodwill," says Rona Birenbaum, a certified financial planner in Toronto.


Birenbaum encourages parents to create clear boundaries for returning adult children and manage expectations accordingly. “Put a limit on how much time you will allow them to stay in the family home, or they may never leave.” In many cases, six months to a year is usually plenty of time for them to get back on their financial feet and start supporting themselves again.

In the meantime, make sure everyone is contributing to the household by making meals, throwing in money for grocery bills and paying for gas if they borrow your car to run their own errands. “All of these things should be discussed and confirmed before the kids move back in,” says Birenbaum. “Not many parents do but if you ask them if they wish they had done it, almost all of them say ‘yes.’” If you haven’t saved quite enough to retire fully in your 60s, or still have consumer debt or a mortgage on your home, establishing these clear boundaries with your adult kids will go a long way towards ensuring you stay on track to retire according to your plan.

## Lessons I Learned In My 60s

Lon Smith, Abbotsford, B.C. (Photograph by Grady Mitchell)

In 2004, Lon Smith retired after working as a counsellor for almost 40 years. He always planned to continue doing some counselling in his 60s but was surprised that he was able to get more clients than he anticipated. In fact, he still works several months of the year even today at age 71—and loves it. But he has one regret. “I took CPP at 60,” he says. “If I had a crystal ball, I would have delayed that payment until at least 62 or even 65. I ended up working a lot more than I thought and I know that resulted in higher taxes in my 60s and clawbacks to my Old Age Security.”

However, he has no regrets about the countless retirement seminars he sat through in his 30s and 40s. “I tried to really understand how my defined benefit pension plan worked,” says Smith. “I did more stock picking for my portfolio because I knew I could afford to take on more risk.”

Smith says he also worked hard to make sure to teach his two daughters—now in their 30s—all he could about managing their money. “It took a little effort but it was worth it,” he says. The result? “Adult kids who never ask me for money as well as the peace of mind of knowing they have their money—and their lives—in control.”

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