RETIREMENT SPENDING PLAN

Bob and Sarah's Story
Case Study

Bob and Sarah worked very hard to prepare for retirement; they did all of the right things, lived below their means during their working years, paid off any debt, and looked carefully at a retirement budget.

Both in their early 70's, Bob and Sarah found that retirement has been an enjoyable time in their lives, both personally and professionally.

They have income streams from their workplace pension plans, Canada Pension Plan benefits, and Old Age Pension benefits. In addition, they have RRIF income and have maximized their tax free savings accounts with excess funds in their non-registered investments.

During the first few years of retirement, they were very cautious with spending to ensure that they had enough to live on and were not overspending and potentially running out of money in their later years. They have done very well with a well-balanced portfolio that met their needs in both rate of return and risk.

Their nest egg is presenting them with new challenges; what is the next step?

Their net worth is not really reducing, and they are wondering if they could make a gift of a lump sum of money to their adult children now versus hopefully many years down the road when the last one of them has passed away. They are also considering purchasing a dream car as they feel good about their overall cash flow and net worth. Still, they have always been net investors, and how do they go about dipping into their nest egg without sacrificing future expenses like in-home care or assisted living care costs, home maintenance costs, inflation.

We spent several hours gathering detailed information on their income streams, taxation, investment, and estate planning. We put together a retirement plan and went over various scenarios, stress testing variables such as changing rate of returns, looking at the effects of inflation and lump sum withdrawals. We were able to illustrate that their portfolio could handle larger withdrawals and still meets future expenses if their cash flow needs increase over time. We looked at the tax and income implications if one spouse pre-deceased another and the tax implications to the estate when the last spouse passes away. We were able to give Bob and Sarah peace of mind that they will not outlive their money, and we have committed to reviewing this plan every six months to continue to update the data and account for any changes in the plan.

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