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Fall 2008

CONTENTS

- Taking Stock
- I'm Retiring – How Much Can I Spend?

PRESIDENT'S MESSAGE



Saver or Spender? High Risk or Low Tolerance? When couples with different financial personalities make decisions, things can quickly get interesting. In some cases two viewpoints make for informed choices. At other times decisions may be delayed when reaching agreement is elusive. Coming up with a balanced financial style that suits both partners is often a work in progress. With the high rate of change we are seeing these days, evolving your financial approach to meet new situations as they arise may be just the advantage you need. To help with decisions on retirement affordability, here are some recent findings I think you'll find interesting.

With Best Regards,

Barb

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Taking Stock

If you've seen the movie *The Bucket List*, you know the concept. Jack Nicholson and Morgan Freeman play Edward and Carter, late-middle-aged cancer patients who have been given only a few months to live. Together, they decide to make the most of the time they have left and head off on a road trip to fulfill their lifetime wishes before they kick the bucket.

In the movie, Edward and Carter know that they have only a short time left to enjoy life to its fullest. But really, doesn't that apply to all of us? While we may have a longer timeline than they did, we all know that life is finite. There are only so many days or months or years available to do the things we want to do.

Unfortunately, some of us go through life thinking that there will always be time in the future to travel, visit with our families and friends, and turn long-held dreams into reality. But poor health, disability, or

an early demise can bring a quick end to these plans. How many couples have you heard about who put off their travel plans until retirement, only to have one spouse pass away before they can take a single trip?

Regardless of your age today, it's good to stop and take stock from time to time. Think about what you've accomplished so far in life and what you want to accomplish in the future. Realize that

you're not going to live forever, and, if you have specific goals you want to achieve, put some plans in place to ensure that you reach them.

And above all, don't put everything off until you retire! When developing your financial plans, be sure to build in opportunities to enjoy life along the way, perhaps planning for a sabbatical, or working part-time

as a transition to full retirement, in order to create more time for family, friends, and personal pleasures.

If you've always wanted to run a marathon, get out there and start training!



I'm Retiring – How Much Can I Spend?

As we get closer to retirement, our focus shifts from accumulating assets to making plans for drawing down on what we've built up over the years. While many of us may have a base of guaranteed income such as employer pensions and government benefits, we look to our investments to supplement this base to provide the lifestyle we've dreamed of throughout our working years.

The problem is, it can be difficult to know how much we can afford to spend if we expect our nest egg to last a lifetime. Many people assume that, if their investments are returning 7% on average, they can draw out 7% of their capital each year. But research has shown that this is a dangerous assumption. In the withdrawal phase, the sequence of returns has a significant impact on how long the money will last. Those of us who experience negative returns in the first few years of the withdrawal period are particularly at risk of running out of money.

Research conducted by Dr. Moshe Milevsky, Finance Professor at York University, suggests that retirees should spend about 2% less than the

average rate of return they expect on their investments. So, if you expect a long-term rate of return of 7%, keep your withdrawals to a maximum of 5% of the initial capital per year. This provides a "volatility buffer" of 2% as protection against the inevitable periods of market turmoil such as we're experiencing this fall. Financial researcher Jim Otar takes a slightly different approach. Basing his findings on close to 100 years of stock market history, he believes that the sustainable withdrawal rate for a Canadian portfolio invested in a 50/50 mix of stocks and bonds is 3.9%. So, if you have \$500,000 the day you retire, you can draw \$19,500 at the beginning of the first year, and this amount would be indexed to the actual inflation rate for each subsequent year. If you're not a member of a defined benefit pension plan, you may also want to look into buying an annuity with at least some of your retirement funds in order to create a guaranteed income stream. Knowing that you have guaranteed income to cover your basic living expenses makes it a lot easier to sleep at night when the markets take their next roller coaster ride.



VACATION NOTICE

I will have the rare opportunity to take an extended vacation

early in 2009. The dates aren't firm yet, but I will likely be away for approximately four weeks during the latter

part of January and most of February. I will have more information for you towards the end of the year.

Interested in Financial Research?

Interested in reading more about what financial research tells us about our retirement income? The Individual Finance and Insurance Decisions Centre (www.ifid.ca) offers personal finance articles, books, lectures and events. Affiliated with the Schulich School of Business at York University, the IFID Centre is a non-profit corporation dedicated to advanced research in wealth management, personal finance and insurance. Moshe Milevsky also has his own website at www.yorku.ca/milevsky where you can access some of his earlier publications and press citations.

Finally, you may want to check out my website www.blgarbens.com under the tab "Resources/Calculators" subheading "Retirement" to find a number of calculators that deal with the topic of retirement income, savings requirements, and calculating shortfalls. Of course, we are always happy to chat directly with you.

MATTERS OF INTEREST

TAX FREE SAVINGS ACCOUNTS (TFSA)

One of the recent measures introduced in the 2007 budget allows taxpayers to accumulate up to \$5000 per person per year in a tax free savings account. This is the first tax favoured savings initiative offered by the government in a very long time. Most financial institutions are in the process of setting up these accounts so that they are available to all clients by January 2009. Questions will arise on whether to put money into an RRSP, a TFSA or towards a mortgage repayment. Please call the office to discuss your options. I will have more on this important topic in my Winter-Spring 2009 newsletter.



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