60 year old transition into retirement

Facts

Clients, Mary & John, are professionals, turning 60, with grandchildren. They have two grown children who have both graduated from University and are self sufficient. Their current net worth is in excess of $5,000,000, which includes financial, real estate and business assets. They each have RRSP's of approximately $700,000, about $100,000 in cash surrender value in a Universal Life Insurance Policy and the remainder of their financial assets are held in their personal names and holding company. As a professional, one of the spouses intends on working part time, partly because of enjoyment, licensing and income. They require about $150,000 of income from their investments before tax. They have some shareholder loans outstanding which they plan to use up in the next five years.

Concerns

- Whether they should take their CPP now or defer their payments until 65 or 70
- When they should start drawing from their RRSP's?
- How should their investments be managed to be tax efficient?
- Will they have enough money to last them their lifetime?

Solution

They may want to defer their CPP till age 65 at least given their current health. Generally we discovered that it makes sense to defer to age 65 versus taking the CPP at age 60 if you think you will live beyond 72 years. This should be reassessed annually given your health and government changes. The goal would be to drawdown their RRSP bucket to the optimum point from a tax perspective and reinvest in their personal names any excess amounts beyond their current spending needs. Invest the RRSP in fixed income and non registered money in equities for growth. The overall mix would be about 25% fixed income and 75% equities leaving the mandate as balanced growth. After analysis of their investments in their universal life insurance policy, we recommended using a guaranteed investment approach. The personal and corporate buckets should be invested for growth and tax minimization for the next 10 years or more depending on when and how much they drawdown their RRSP's. Ultimately, the goal is to use up the least flexible and least tax efficient assets first while still maintaining flexibility and tax effectiveness today.

Our goal: client satisfaction

"The Navigation Team has provided us with a total wealth management strategy based on our needs and expectations. They ask, they listen, and they follow-up on all our questions. They constantly try to improve their services to help us enjoy our retirement, and meet our retirement goals."

Scotia Wealth Management™

The Navigation Team

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