



PLANNING FOR THE NEW RETIREMENT REALITY

This quarter, we have created a special edition of exchange featuring Barry LaValley - a leading authority on the life planning approach to financial planning and Special Advisor to the Scotiabank Group.

Today, the typical notion of retirement has changed with longer life expectancies, active lifestyles and more people working into retirement. With this “new retirement” it is now more important than ever to have a realistic vision of your retirement and life goals as these will have implications for your financial plan.

We encourage you to speak to your ScotiaMcLeod advisor about ways they can help you plan for your transition into retirement. They can help you understand the financial implications of your desired lifestyle and work with you on a plan that reflects the way you want to live your life.

Redefining Retirement

Making realistic plans for the next stage of life

Barry LaValley, *Special Advisor to the Scotiabank Group*

Like many of the boomer generation, Yves and Marianne* have spent a good deal of time over the past four years thinking about retirement. Next year Yves will turn 60 and is in a position where he can take retirement with a full pension from his job as a manufacturing executive with an eastern Canadian company. Marianne has run a successful retail business and has recently received an offer to sell. For them, retirement is no longer a distant reality.

Financial security isn't likely to be an issue for this couple. Yves relates that “We have enough money put aside that we think we will be just fine if we didn't work again. We won't be rich, but we should be able to do everything we want to do.”

On the surface, Yves and Marianne appear ready to retire. It seems all that's left is a financial plan that will help them make their money work for their life goals. And that's the issue. Like many Canadians on the verge of retirement, they have a clear picture of what they are retiring FROM, but are less clear on what they are retiring TO.

“The challenge that we have”, says Marianne, “is that we aren't even sure if we want to retire. Both Yves and I still feel young and active. Yet everyone tells us that we should embrace leaving our work and simply relax.”

When pressed on what concerned them about retirement, Yves noted that neither

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of them liked the concept of withdrawing from active work. “I don’t think I’m ready to pack it in just yet. I may leave my present job, but I was thinking I’d like to open a consulting business and select my own projects.” For Marianne, while the idea of not being tied to a job had its appeal, her feeling was “I just don’t know how long we could go without doing something to keep us engaged.”

REDEFINING RETIREMENT

The concept of retirement has traditionally meant “not working” and enjoying a long weekend that could last thirty years or more. Yves and Marianne are typical of a generation that certainly doesn’t feel ready to ease into a rocker.

It is likely that a significant number of boomers will continue to work in some manner well into their 60s. Many are seeking to define retirement on their own terms, treating it as more of a transition, a time of reflection and reassessment. Retirement isn’t an ‘end’ but a beginning. That makes the transition to this new life the

focus of how people like Yves and Marianne and their advisors are planning for the future.

It also means looking at their personal priorities as a bridge to financial decisions. “We used to think that retirement was only about financial planning”, says Yves. “Since we’re not even certain we’re going to retire in the traditional sense we felt we should take a fresh look at what we are actually planning for!”

CHANGING THE PLANNING PROCESS

In the past, a typical plan focused on helping people accumulate money for the future and convert that nest egg into an income plan. Today, that is changing. Since many boomers are entering this transition without a clear picture of what their future might look like there is a need to clarify their vision for the future first.

The planning conversation starts with gaining an understanding of the basic life issues that they will face regardless of whether work is involved or not. Retirement planning becomes life-transition planning working to understand the financial

implications of the life challenges and opportunities involved in planning for their desired lifestyle.

“We hadn’t really talked about our life in the context of the plans that we had”, relates Marianne. “You get so busy just working and trying to get by that there doesn’t seem to be an opportunity to just sit back and take a fresh look at things. Since we were going to talk about retirement anyway, we decided to use this potential change as a way to really think about where we are and where we want to be in all of the areas of our life.”

VISUALIZING THEIR TRANSITION INTO RETIREMENT

Yves and Marianne were due to meet with their advisor for their annual review and to talk about their plan. Recognizing they were struggling with the retirement decision and needed a catalyst to get them thinking, the advisor emailed them the self-administered ScotiaMcLeod Retirement Readiness Assessment tool that they each completed in less than fifteen minutes.

In their meeting, they were able to review the Transition Profile that the Readiness Assessment generated. While they expected to have a money conversation, they were pleasantly surprised to find that their advisor wanted to help them come to some conclusions about changes in their lifestyle and goals that the tool had generated.

As part of their advisor's planning advice, they went further. "There are seven components of your future life outlined in the ScotiaMcLeod Visualizer Workbook" their advisor suggested, "that should be reflected in your plan."

Completing the exercises in the Visualizer Workbook helped Yves and Marianne contemplate their needs and desires in the context of their transition.

- 1. Do you have a clear view of what you want your life to look like in the future?** While it is impossible to anticipate everything that might happen, it's important to clarify exactly what you would like your life to look like. What will you be doing in an average week? Where will you live? How would you like to feel?"
- 2. Are you paying attention to the principles of healthy aging?** As you

get older, you will naturally be faced with health challenges and issues—that is just what happens. However, there are things we can all do to pay attention to our physical and mental health. Remember too that your overall mental outlook is probably even more important than the physical shape you are in.

- 3. Is your life full of sustaining and supportive relationships?** This applies to both your family and your social circle. A key to a happy life in the future will be the quality of your relationships. They will contribute to the fulfilling activities you undertake, will support you through good times and bad and can actually prolong your life.
- 4. Will work continue to be part of your picture?** Traditional retirement almost assumes that work is a negative. Conversely, this stage of life is an opportunity to do the kinds of things that make you feel good and work may well play a key part in that.
- 5. Do you have a balanced approach to your leisure activities?** As you look at the kinds of things you prefer to do, are you able to enjoy

many different kinds of leisure rather than just focusing on one or two things? Leisure activities can range from spectator appreciation to solitary contemplation to creative expression. It will be important to undertake a variety of activities.

- 6. Have you considered the changes that might affect where you call home?** Through the various life stages you'll encounter, you may find that your home no longer meets your needs. Also, you may have a desire to relocate closer to family or perhaps to a retirement community in the sun. What do you want out of your accommodation and what might change to cause you to move?
- 7. Have you created a sense of financial comfort as you move into your new life?** Financial comfort is just that: feeling that you know what you have and that you aren't worried about what your money is doing. You don't want to lose sleep over your financial situation. Are your changing life needs being met by the resources you have and does your financial plan reflect the life plan you've laid out?

LIFESTYLE IMPLICATIONS FOR THEIR FINANCIAL PLAN

Once Yves and Marianne had looked at the seven areas of their life they were in a better position to make decisions on whether to retire or not and how. They have chosen to reassess where they are in their lives and what they really want. In fact, Marianne notes that they have stopped thinking only in terms of whether they were going to work or not and decided to look at a number of aspects of their life to make sure that they shared a common vision.

“One of the things that came out of our discussion”, says Yves, “was that neither Marianne nor I wanted to leave work completely but that our priority would become finding

ways that we could balance our leisure activities with our workplace responsibilities.”

For Yves, that will likely mean taking his retirement package from his present job and then taking on a consulting contract with the same company that will allow him to set his own hours. Marianne has decided to hire a manager to run her business on a day-to-day basis, but she will keep a hand in the overall operation.

As for their financial plan, both Yves and Marianne agree the process that the advisor showed them has made financial planning a lot easier and fulfilling. “We were actually planning for the wrong thing—life without work”, says Marianne. “Now we have put

together a more realistic financial plan that reflects the fact that we aren’t retiring but merely readjusting the way that we want to live our lives!”

Barry LaValley is President of the Retirement Lifestyle Centre, a research and education organization focused on today’s “new retirement”. He works as a special life goal planning advisor to the Scotiabank Group.

**Yves and Marianne are pseudonyms to represent a typical scenario.*

Reflections

*“Don’t simply retire from something, have something to retire to.”
Harry Emerson Fosdick
American Clergyman*



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