

Topic 3

PLANNING FINANCIALLY FOR YOUR RETIREMENT



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You may have many different priorities to balance and many “what ifs” to consider as you plan for your retirement. For example, you may want to leave an inheritance for your child(ren), but are you sure you will have enough money to live comfortably after you retire? As you plan, remember your health care costs can increase over the years. Inflation can drive prices higher. What if there are other changes that affect your plans?

Get some financial advice and let your child(ren) know you have consulted with professionals to put together your plan.

What’s to talk about?

A. **Have you planned for how much money you’ll need to live comfortably in retirement?**

It takes a lot of planning to prepare for retirement. How much income you’ll need will depend on where and how you want to live when you retire. It will also depend on your age when you retire, if you have any dependents, if you have any debt (such as a mortgage) and so on. You also have to allow for rising prices (inflation) and unexpected bills, including medical bills.

Here’s how to start a conversation around planning your retirement income.

If you are a parent with adult children:

- Start talking to your child(ren) about your plans to create income for retirement a few years before you retire. Your child(ren) will naturally want to know if you've planned ahead and are going to be OK financially.
- If you've been helping your adult child(ren) financially, let them know if you plan to continue after you retire. The more notice you can give them of any changes, the better.
- Recognize you may have different goals for retirement than your child(ren) will have. Talking about those differences can open the door to some deep and meaningful conversations. It can also help build a better foundation for mutual understanding.
- A financial advisor can be a knowledgeable and trusted resource to guide your conversations.



If you are an adult child:

- Start by asking your parent(s) some general questions about their retirement plans and how well prepared they are feeling. Ask questions, like “I’d love to know what you hope to do after you retire. Any plans to travel? To move or downsize? Work part-time? Spend more time with the grandkids?” From there you can ask them if they’ve received any advice about the income they’ll need to live comfortably. Let your parent(s) know you’re there to help.

- If you do a little research in advance, you can help them understand some of the retirement income programs available to them. Don't give advice, however, unless asked.
- Consider including siblings or other relatives – or at least telling them about your plans to talk to your parent(s) about their financial future.

Ready to learn more? Read **Retirement Tax Planning Tips: Sources of Retirement Income**

OR

Ready to learn more? Read **Approach retirement with confidence**



B. What about discussing decisions re: spending your money in retirement or making plans to pass along money and assets?

Some parents want to be able to leave an inheritance for their children. They may need reminding that it shouldn't come at a cost to their well-being in retirement.

Other parents feel the opposite. They've worked hard all their lives. To them, retirement is a time to spend and enjoy themselves fully – rather than worry about passing along money or other assets to children.

Whatever your situation, clear communication is the key to avoiding misunderstandings and mistakes. Here's how to start the conversation.

If you are a parent with adult children:

- If you plan to leave an inheritance for your child(ren), you'll need to decide how much you want to share with them about your plans. Some people think this information is private and should only be revealed after their death. Other people like to share information in detail so their child(ren) can better plan for the future.
- You may also want to talk about your reasons for your decision(s) so that your child(ren) will understand your thinking. As you develop your retirement and estate plans, you'll need to decide how much to share and when.



- If you don't plan to leave an inheritance for your child(ren), tell them as soon as possible. The last thing you want is for your child(ren) to be relying on an inheritance that will never come. If you explain why you've made this decision, it can help them understand and move on. Many children are happy to know their parents intend to make the most of their retirement – especially if parents are planning properly to cover their costs after they retire, including medical bills and long-term care.
- If you're nervous about how your child(ren) will react to your decision, or you're not sure how much information to share, consider asking your advice team to meet with your child(ren) and lead the conversation.

If you are an adult child:

- It's rarely a good idea to ask your parent(s) directly if they are planning to leave you an inheritance, or how much. It can come across as greedy and unfeeling. Instead, ask them about their plans for their retirement and if they have an estate plan. You can try something like, "I don't want to know the numbers. I just want to be able to follow your instructions the way you'd want me to. Let me know if there's anything I can do to help."
- If your parents tell you they are not sure they will be leaving you an inheritance, listen and try to understand their situation. You can let them know you're more concerned about whether they feel OK about the future and their ability to live comfortably. Ask them if they've had professional financial advice. Do they have a plan, and will they have enough income for the years ahead?

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C. **Is it better to pay off your debts during retirement or leave them to be paid from your estate?**

Paying down debt in retirement can be hard – especially if you are living on a lower income than you had while working. However, in many cases your estate must pay off any debts you left behind. This can affect any plans you have to transfer wealth after your death.

You may want to discuss your situation with your adult child(ren) – especially if you are planning to transfer wealth to them through your estate. Here's how to start the conversation.



If you are a parent with adult children:

- If you plan to pay off debt after you retire, make sure you will still have enough money to live comfortably. Get financial advice and let your child(ren) know you have consulted with professionals to put together your plan. They'll want to know you're going to be OK.
- If your plan is to die with a mortgage or other debt – including a reverse mortgage – let your child(ren) know – especially if this is going to affect their inheritance. Avoid surprises if you can. If you explain your situation, it can help them understand and prepare.
- If you're not comfortable having the talk, or you're not sure how much information to share, consider asking your advice team to meet with your child(ren) to lead the conversation and answer questions.

If you are an adult child:

- If you're aware your parent(s) is/are struggling with debt as they retire, now is a good time to talk about the future. Ask them if they've talked to a financial planner. The stress of debt can be very hard on your parent(s). Show them that you care and want to help.
- Choose a time to talk when you have plenty of time and can focus on your parent(s). If you find it awkward to start the conversation, you can talk about your own situation and the advice you've received about paying down debt. Or tell them about an article you read or a TV show you watched about debt later in life.
- If a parent says they're worried about credit card debt, consider it a call for help. If they give you an opening to talk about it, you'll likely find they'll be willing to accept more help over time.
- Offer to help your parent(s) review their spending and try to cut costs. For example, help them set up automated bill payments. Review their bills and help them find ways to spend less. When necessary, solutions can include selling assets like an extra car, or downsizing.

- Ask your parent(s) to advise you if they are considering any major changes, like taking a reverse mortgage on their home to help pay the bills. Offer to review documents, do research and take them to see a financial planner.

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D. **What if you don't have enough money saved up to retire comfortably? Or have debt?**

Despite their best intentions some Canadians may not have saved enough for their retirement. They may worry about paying their bills or getting into debt. This makes it even more important to learn about government pensions and benefits. Some people may also need to explore ways to create income beyond their savings, including home equity.

If you're about to retire and are worried you don't have enough money saved, let your child(ren) know as soon as possible. Here's how to start the conversation.

If you are a parent with adult children:

- If you're not clear about what government income you may qualify for, ask your child(ren) if they can put together information for you and help you apply.
- Ask your child(ren) to help you review your bills and find ways to reduce your everyday spending. This includes subscriptions, phones and entertainment.
- Let your child(ren) know if you plan to make any major changes, such as selling your home or car, taking a reverse mortgage or moving to a less expensive place to live.



- If you plan to ask your child(ren) for financial help, avoid surprising them. Share your financial information with them so they understand your situation. Try to come up with a solution together. This may include changes you can make to reduce your living costs. Or, you may have options to earn income, including postponing your retirement or getting a part-time job to keep a paycheck coming in.

If you are an adult child:

- If you sense your parent(s) is/are struggling financially, try to start the conversation by talking about yourself and how you are figuring out your finances for retirement. Then you can shift to talking about your parent(s) and how they're doing – either as they get ready to retire or are living their retirement.
- Don't rush the conversation. Pick a time when everyone is relaxed and at their best. Ideally this is not during a holiday gathering or a special family time.
- If your parent(s) ask for financial help, look at your financial situation and be honest with them about what you can offer. Is it a one-time need, for a sudden unexpected expense? Or are they asking for monthly support? You may be able to suggest ways they could reduce their spending or increase their income by part-time work.
- If you are going to help your parent(s) financially, ask them to fully disclose their situation – including their income, expenses, debts and savings. As you discuss ways to help, it's important to set ground rules about what you can and cannot do for them.
- If you find these issues difficult to discuss with your parent(s), consider meeting together with a financial advisor. With the help of an objective, knowledgeable professional it may be easier to arrive at a fair solution for everyone.

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E. **What is the best budgeting strategy to avoid outliving your savings?**

For many Canadians, outliving their savings is one of their biggest concerns when they retire. There are a few ways to set up a budget, so you have a better chance of avoiding this. A common rule of thumb is that you should limit withdrawals from your retirement savings to 4% in your first year of retirement. Then adjust for inflation in later years.

There are many online calculators you can use to run scenarios to see how your money will last. You can also consult with a financial planner. Proper financial planning can't eliminate the risk of running out of money in retirement, but it can make it a lot less likely.

Here's how to have a conversation about setting and adjusting your retirement budget.

If you are a parent with adult children:

- It's unlikely your child(ren) will want to know all the details of your retirement budget. What they really want to know is that you have a plan that will allow you to live comfortably in retirement.
- You may want to tell your child(ren) how you arrived at your budget. Did you consult with a financial planner? Did you use a rule of thumb like the 4% withdrawal guideline? Or did you use another formula, like limiting your spending to a percentage of your pre-retirement budget? Does your plan include an emergency fund for unexpected costs, such as medical bills?

- If you view your child(ren) as part of your support team, keep them updated on your situation. How are you tracking against your original plan? Are your expenses going up or down? This will make it easier to make changes or ask for help later if you need it.

If you are an adult child:

- If you're concerned about your parent(s) outliving their savings, don't try to get into specifics. Ask general questions instead. For example, you could ask: "Have you given much thought to what your retirement will be like?" This will get them thinking – and, hopefully, talking – about what they want life to be like as they age.
- Make it clear to your parent(s) why you're asking about their financial plans. You want them to know you have their best interests at heart.
- Listen for clues in whatever information your parent(s) share. For example, if they tell you that they'd love to be able to travel but can't afford it, that might be a clue that they don't have enough money set aside for retirement. Perhaps you could offer to help them find ways to afford what they'd like to do. This in turn might give you more insight into their financial situation.
- It may turn out that your parents will need help with their finances as they age. Ideally you can talk about it and find solutions before there is a crisis.

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F. **What about helping your adult children financially during your retirement years?**

Many parents enjoy helping their adult children financially, especially if the children chose careers with modest salaries. However, it's important not to give them money you will need in your retirement. Here's how to start a conversation about setting boundaries.

If you are a parent with adult children:

- If helping your kids is affecting your retirement plans, you need to let them know. But before you start the conversation, be ready with a plan to gradually reduce or end this financial aid. Give your child(ren) some time to get ready for the changes you need to make. The bigger the change, the more time they will need to prepare.
- Be ready for both positive and negative responses from your kids to your new plan. Reassure them it is not a punishment. It's a necessary change to help everyone take ownership of this stage of their lives. It will be much easier for them to accept changes to the amount of help you can offer if they understand why.
- Offer to help your child(ren) in other ways if you can. Can you help them look for a job or a higher paying job? Can you call some of your friends about networking opportunities? Your child(ren) may or may not want your help, but you can always offer emotional support.
- Let your child(ren) know if you can help them out if they hit a rough patch in the future. But make it clear it will be for a specific expense, like tuition to go back to school – not paying all their bills. Be sure to document all loans.

If you are an adult child:

- If you depend on your parent(s) financially, recognize that as they retire they may have less income to spend, and it will be harder to help you. Here are some signs to watch for: Are they postponing their retirement? Thinking about selling the house just to ease the financial burden? If you see these signs, it's time to make some changes.
- Before you talk to your parent(s), come up with a plan. Give yourself deadlines for each step. Then share your plans with your parent(s) and ask them if they can support you during the transition. Be open to any suggestions they make.
- If your parent(s) bring up the conversation first, ask them for some time to think about it. Set a time when you'll be ready to talk and have a plan to discuss with them.

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More resources:

<https://www.scotiabank.com/ca/en/personal/advice-plus/features/posts.tips-for-retirees.html>

<https://www.scotiabank.com/ca/en/personal/advice-plus/features/posts.5-key-considerations-for-retiring-early.html>

<https://www.scotiabank.com/ca/en/personal/advice-plus/features/posts.how-to-plan-for-your-financial-future-in-your-60s.html>

<https://www.scotiabank.com/ca/en/personal/advice-plus/features/posts.getting-ready-for-retirement-a-checklist-to-help-you-prepare.html>

<https://www.scotiabank.com/ca/en/personal/advice-plus/features/posts.how-to-budget-in-your-retirement.html>

<https://www.scotiabank.com/ca/en/personal/advice-plus/features/posts.planning-for-retirement-9-essential-steps-to-know.html>

<https://www.scotiabank.com/ca/en/personal/advice-plus/features/posts.health-and-illness-retirement.html>

Let's Talk Money: Seniors Conversation Starters

Planning Financially for Your Retirement

Questions for you as an Older Adult

- With my retirement coming up I am beginning to think a lot about my dreams and vision for the coming years. Goals are so personal and tied to life events, have you ever given much thought to what your goals might be for when you retire?
- I have been thinking a lot about the legacy that I will leave when I am gone, can we spend some time talking about my plans for who I want to have involved as beneficiaries of my estate? I need you to understand some of my thinking – before I am gone.
- The last several years have not been as bright as I had hoped – many more expenses than I had anticipated – and as a result I have accumulated some debt (credit cards, line of credit, reverse mortgage). These things may impact what happens after I am gone. Can we go through some of these things so that you know what my financial situation really is – I don't want you to have any surprises!
- You know that I have helped all my children to accomplish some of their financial goals as they have become adults. I have never asked for anything return, until now. Increasingly I have found it difficult to make ends meet in my retirement years. Is there anyway that we can discuss how you can help me – perhaps by repaying some of the money that I have given you over time?
- I have noticed that you are stressed about some of the big expenses that you have had lately. Is there anything that I can do to help?

Questions for you as an Adult Child

- You have inspired me as I have been growing up. What plans do you have for your future now that you are retiring? What are your wishes or dreams – your goals for the next few years?
- I know that you have been concerned about how our family is doing – and what will happen after you are gone. Would it help if we talked about it, tell us what is on your mind? What do you want to have done with all that you have made of your life – after you are gone?
- I have noticed that you seem pre-occupied lately, is there anything that you want to talk about? I often get distracted when I am thinking about the future – and all the unknowns that I will face, especially financially – so I find talking about it helps.
- I don't know how you did it – juggling all that you did when you were working and raising a family. Do you have any tips that you can share with me!
- I noticed that our elderly neighbour up the street has her house up for sale. How are you managing with keeping the house on your retirement income? Is there anything that I can do to help?
- I just saw one of those crazy bumper stickers “I'm spending my kid's inheritance.” I hope that you do the same and enjoy your life rather than worrying about us – don't you agree?
