Retirement:

How much money do you really need?

While much has been written about the post-work needs of the average Canadian, relatively little has been published for high-net-worth individuals, for whom the implications are different and far more complex. This white paper provides a blueprint for developing your own vision of retirement and ensuring there is the capital to fund it.

NEWPORT
PRIVATE WEALTH

ABOUT NEWPORT PRIVATE WEALTH

Newport Private Wealth is among Canada's largest independent wealth management firms for high-net-worth individuals.

The firm offers professional investment management and full-service wealth management delivered through a team of multi-disciplined investment professionals averaging 25 years of experience. Based in Toronto, Newport Private Wealth is privately owned and managed by its professionals who, to ensure alignment of interests, have their own money invested alongside clients.

Newport Private Wealth's investment approach is purpose built for individuals who want to earn steady income to fund their lifestyle now or in the future, grow their wealth ahead of inflation and protect their capital from significant or permanent loss.

To achieve these objectives, Newport Private Wealth offers its clients the best of both worlds: the preferred access of an institutional investor with the personal service of a boutique.

Using its size and capabilities, Newport Private Wealth sources hard-to-access private investments, such as real estate, infrastructure, etc. to complement traditional stock and bond asset classes, so client portfolios are less dependent on the ups and downs of the stock market. For specialized expertise in these asset classes, it retains independent money managers – many of whom are unavailable to individual investors.

At the same time, the firm's style of personalized service, low turnover and high levels of client satisfaction* evoke a boutique experience for the families it serves.

Newport Private Wealth's services are best suited to individuals with a minimum of $1 million to invest. Individuals with less than $1 million can access Newport Private Wealth's investment management capabilities through its division, Lonsdale Portfolios.

* 97% client satisfaction rating as measured in a 2013 third-party survey conducted by Advisor Impact.

We take a different perspective.
Yours.

NEWPORT
— PRIVATE WEALTH —

IF THERE IS ONE QUESTION THAT IS COMMON TO ALMOST ALL NEWPORT PRIVATE WEALTH CLIENTS IT IS THIS:

“How much money do I need to retire without any worries I’ll outlive my capital?”

The answer isn’t the same for everyone – and it likely isn’t the same as your parents’ idea of retirement either. That’s because the concept of retirement has changed for the baby boomer and the generations to follow, and because everyone’s lifestyles and expectations are different.

All sorts of questions arise: “How much of my current lifestyle can I maintain in retirement? What changes will I need to make to my spending or to my asset base? What changes will I want to make?”

While much has been written about the post-work needs of average Canadians, relatively little has been published on the implications for high-net-worth individuals (those with more than $1 million of investable assets) and the ultra-high-net-worth (more than $10 million), for whom the implications are different and far more complex.

We hear these questions so often that we have decided to examine them in this white paper.

The answers may surprise you.

WHAT CAN YOU DO TO SECURE A HAPPY, WELL-FUNDED RETIREMENT?

Ultimately, there is no single blueprint for success. However, there is one thing that we urge all high-net-worth individuals nearing, or in, retirement to do.

Start as early as you can. Get some expert advice and put together a plan – personally and financially.

"If you are ten or fifteen years away from retirement, it may not seem like your top priority, but our experience suggests that the people who begin planning early are the best prepared and have the most flexibility when the time comes," says David Lloyd, a CPA/CA and Chief Wealth Management Officer of Newport Private Wealth.

People who have a financial plan are at less risk of overspending, according to a study by the U.S. Society of Actuaries[1] and they are more confident about their financial future according to research by the CFP Board[2].

Sadly, not enough people do this.

A survey of affluent Americans conducted by Phoenix Marketing International discovered that only 38% have discussed retirement planning with their advisor within the past 12 months and 24% have never discussed it with their advisor[3].

One reason may be they don't know where to begin.

1. http://www.usatoday.com/story/money/columnist/powell/2014/08/30/retirement-budget-overspending/14732447/
2. http://www.cfp.net/docs/news-events---research-facts-figures/2012_household_financial_planning_survey.pdf?sfvrsn=2
3. http://www.advisor.ca/retirement/retirement-news/being-rich-is-not-a-retirement-plan-26438

1 PLAN FOR RETIREMENT

“The first step of the process is to get clarity on the lifestyle you envision for yourself.

How does it compare to your current lifestyle? What, if anything, will be different in the years ahead?“ says Lloyd.

In addition to lifestyle considerations, there are also the practical issues of income and assets. Prior to retirement, many high-net-worth individuals have their wealth tied up in non-liquid forms: a business, corporate stock options, real estate.

Consider what changes you expect to make to your balance sheet in your retirement years, and when. It is generally best to enter retirement debt-free. Consider whether your balance sheet will produce sufficient income together with pensions and other sources of income to meet cash flow needs going forward. Your retirement plan may be predicated on a liquidity event – selling your business, your real estate properties or exercising your stock options. If so, what values and timing assumptions have you made?

Your balance sheet review and overall retirement plan should factor in tax planning, especially where significant liquidity events or changes are contemplated.

For example, if you are planning to sell your business, you may want to consider an Individual Pension Plan to shelter more of your corporate wealth. Or an estate freeze – to sprinkle the capital gains exemption and minimize tax.

Prescribed rate loans are an effective method of income splitting to reduce the overall family bill. Alter-ego trusts, an estate planning tool, allow you to avoid probate fees on assets held in the trust and protect against litigation. These are just two examples; there are numerous tax planning options to consider and a good financial planner will identify these opportunities in collaboration with your tax advisor.

The next step in the process is to translate your plans into financial projections to come up with ‘the number’. That is, how much you will need to fund your retirement, as you define it.

FIGURE 1

INVESTMENT CAPITAL NEEDED FOR RETIREMENT (IN MILLIONS):

AGE	ANNUAL PERSONAL EXPENSES					
—	$100,000	$150,000	$200,000	$300,000	$400,000	$500,000
50	2.2	3.6	5.1	8.2	11.3	14.4
55	1.9	3.2	4.5	7.3	10.2	13.0
60	1.6	2.8	4.0	6.5	8.9	11.4
65	1.3	2.3	3.3	5.5	7.6	9.8

ASSUMPTIONS:

- Inflation @ 2% per year
- Annual investment return 5%
- Investment income split between spouses
- No RRSPs or pension (except CPP/OAS)
- Investment capital consumed at age 90
- No outside income from part-time employment or business investments

A set of assumptions is made with respect to spending levels, life expectancy, rate of investment return, inflation, etc. To give you some idea, Figure 1 provides a simplified and generalized illustration of how much is needed for retirement, based on typical projections for our high-net-worth clients.

As you can see from the table, there are different scenarios based on different spending levels. Much is written in the popular media suggesting that you need about 70% of your pre-retirement income to sustain your lifestyle after you stop working – while one book makes the case that the average couple needs only 46%[4].

In our experience, there is no rule of thumb for retirement spending. Some people spend less, others the same and others more than they did in their working years.

Another observation is that early retirement is costly.

If you retire at a younger age, you'd be advised to spend no more than 3%-4% of your total investment capital annually.

Whereas, if you retire later, at age 65 for example, you can spend about 6%-7% of your savings annually.

4. The Real Retirement: Why You Could Be Better Off Than You Think and How to Make That Happen by Fred Vettese and Bill Morneau

After successful business careers, Janet and Bruce McKelvey founded TRIP Canada (www.tripcanada.org) to help rebuild communities in Sri Lanka devastated by the 2004 tsunami.

WHAT'S *MY* NUMBER?

Figure 1 is a rudimentary illustration using a general set of assumptions. In practice, the assumptions are customized to your situation and tested under a variety of scenarios.

You may ask: What if I spend more per year? What if I retire earlier – or later? What if we help the kids out with the purchase of a home? What if we sell our Arizona place in twenty years? "Just about anything you can dream up can be modeled from a financial perspective," says Lloyd.

Since each assumption has the potential to change the projections materially, it is important to try to clearly define your retirement vision, your values, priorities, and trade-offs. Among our client base, there are those who own four homes, but drive only economy cars. Others have transitioned their business skills into social entrepreneurship and are dedicating significant amounts of time and money to driving social change. Some have taken up new hobbies with expensive equipment and instruction. Others enjoy a rich and fulfilling life without spending much at all.

What you spend, your sources of income, how your capital will be invested and how it will be consumed, are all factors that will influence the outputs of the plan.

FACTORS THAT WILL INFLUENCE YOUR SPENDING IN RETIREMENT

LONGER LIFE SPANS

We're living much longer, healthier lives than previous generations. Medical technology has made leaps forward.

The average Canadian male born in 1920 lived to an average of 59 years old, females 61. By 1990, we were living almost two decades longer: men born in 1990 are expected to live, on average, to 75 and women to 81, a significant increase[5].

Longer life expectancy is a good thing, but it means our retirement savings will need to last over a longer time horizon. This may sound obvious, but in a MetLife survey, just 37% of respondents correctly knew that a 65-year-old has a 50% chance of living past the age of 85 and 77% did not think that longevity was a significant risk in planning for retirement[6]. Unless you have a reason to think otherwise, our recommendation is to base financial modeling on life expectancy to age 90.

ACTIVE, GLOBAL LIFESTYLES

What will be your lifestyle in retirement? Many high-net-worth retirees have very active lifestyles with travel being a common pursuit – often including ownership of recreational properties in various parts of the world.

There are more than 850,000 trips a year by Canadians aged 55 or over to United States destinations, staying overnight for 31 days or longer, the Canadian Snowbirds Association reports[7]. In addition to traditional winter havens such as Florida, Arizona or Palm Springs, increasingly popular destinations now include the Turks and Caicos, Cayman Islands, Mexico, The Bahamas, Thailand, Costa Rica and Ecuador.

Panama for example, is quickly becoming known as the No. 1 retirement destination in the world, offering a retiree visa that provides discounts on items such as hydro, dental and medical services, transportation, recreation and entertainment[8].

For those who like to escape Canada's harsh winters, a common question is, "should we own or rent?" The answer is a highly-personal decision, with financial implications often being a secondary consideration. Some people prefer the flexibility to move around and spend time in different locations. Others who have run the math found they can rent beautiful homes for the same or less than the cost of owning and don't want the burden of ownership at a time when they are trying to simplify their lives. Other people value the convenience of being able to hop on a plane and arrive 'home' to familiar surroundings and their personal belongings. For Canadians, personal ownership of U.S. property can have significant U.S. estate and income tax implications (on estate values over $5 million). You are advised to consult a U.S. tax specialist if you are contemplating such a move.

DOWNSIZING REAL ESTATE

Does your retirement plan involve selling or downsizing your real estate? According to recent research, 32% of affluent individuals own additional commercial or residential real estate, while 10% own three or more properties[9].

"As they approach retirement, many people start to think about paring down and becoming more minimalist," says Lloyd. "They ask themselves, 'Do we really need this 5

5. http://www.statcan.gc.ca/tables-tableaux/sum-som/l01/cst01/health26-eng.htm

6. http://www.pensionresearchcouncil.org/pdf/news/14.pdf

7. http://business.financialpost.com/2013/11/02/wintering-down-south-and-staying-above-the-law/

8. http://www.huffingtonpost.ca/2013/09/16/where-to-retire-abroad_n_3935902.html

9. Investors Group survey July 2014

Panama's downtown skyline -- the number one retirement destination in the world.

bedroom house? We're empty nesters now.' Or, 'Do we want the cost and upkeep of three homes in retirement?'"

One couple who sold their urban home to live full-time at their weekend home in a rural area because they wanted a more casual, active and stress-free lifestyle, said a lower cost structure was an added bonus, "We were shocked to find just how much our spending dropped. You don't spend as much on clothing or expensive dinners out and most things cost less (in a small town) whether it's haircuts, personal training or property taxes."

HIGHER HEALTH CARE SPENDING

Health care costs are another large and sometimes overlooked line item that must be factored into retirement planning. While the prevailing wisdom is that retirement expenses decline in the latter years, as retirees slow down their lives, we would caution that the actual experience is more complicated.

For one, some people plan to travel for as long as they possibly can. Travel insurance becomes more expensive with age – and the presence of any pre-existing conditions can cause these costs to skyrocket or in certain cases become prohibitive.

Hospital costs in the U.S. and around the world can be in the tens of thousands of dollars for relatively routine procedures. To mitigate potentially expensive medical costs, some high-net-worth individuals have arrangements with ambulatory services that provide emergency transportation back to Canada should the need arise.

Second, health care at home gets more expensive. Some reports have referred to the "coming health shock" for Canadians who think that things like eye care, drugs, physiotherapy and nursing homes will be paid in whole or in part by our universal health care program. Not so.

FIGURE 2

AVERAGE LIFE EXPECTANCY VS. 10-YEAR BOND YIELD

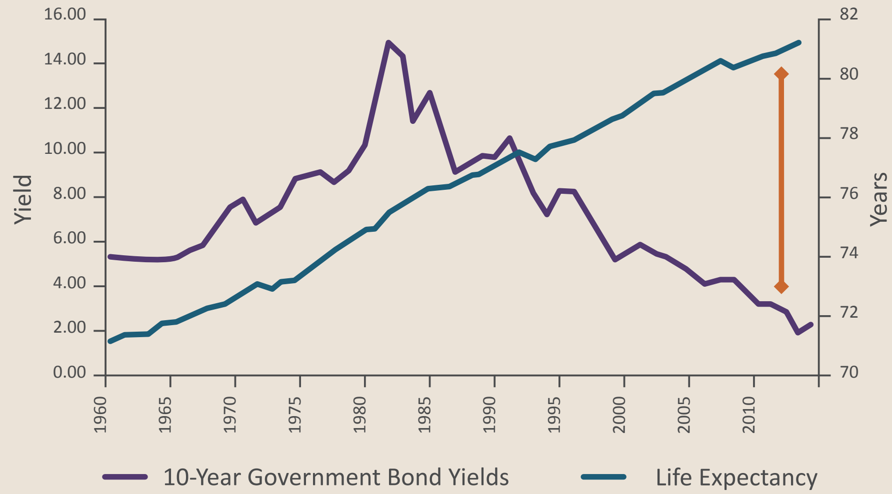

Chart shows that life expectancy continues to rise at a relatively steady rate. It also shows that the income an investor could receive from a long-dated government bond has continued to decline since the early 1980s. Retirees are earning far less on their bond portfolios, which typically represent low-risk investments.

The state of public health care in Canada and the benefits covered are constantly changing. It is predicted that as provincial governments struggle to contain skyrocketing costs due to an aging population, there will be increased use of so-called 'income testing' to reduce universal benefits for seniors with high incomes.

In August 2014, in fact, a regulation in the 2012 Ontario Budget was to have been enacted, requiring any senior over age 65 with annual income in excess of $100,000 to pay virtually all of their prescription drug costs – a regulation that would hit most high net worth individuals. It has been delayed due to problems with administering the program between Ottawa and Queen's Park, but it is coming.

Another factor: advances in medical science have improved one's odds of surviving a critical illness. But the financial consequences can be significant. For instance, the average cost of newer drugs to treat cancer is $65,000. While some people choose to take their chances and 'self-fund' a critical illness, others opt for insurance programs that provide a lump-sum benefit. Regardless of your funding method, a provision for such costs should be in every plan.

Some high-net-worth and ultra-high-net worth individuals seek out private health care options for their needs – either here in Canada or in the United States. Private insurance programs are available to fund access to medical care in the United States, up to a lifetime maximum of $3 million. However, the costs are not insignificant, with premiums running about $5,000 to $8,000 per year for a healthy 61-year-old male, for example[10].

Finally, there is the issue of long-term care.

10. TriAxis $3 million maximum lifetime benefit for U.S. health care for a 61-year-old healthy male, non smoker

According to Statistics Canada, there is a 30% chance one will need long-term care at age 65 and a 50% chance by age 75.

Whether provided in-home or in the community through assisted living or nursing home facilities, the costs can be steep. A middle-to-high-end assisted-living facility in a major urban centre, for example, can run $5,000 to $10,000 per month depending on the level of care required.

"Among couples, it's not always the case that both spouses move into the same facility at the same time," reminds Lloyd. "When the care needs are different, the long-term care arrangements are different and couples may be separated. The costs then are significantly higher and this is not the time to be stingy about the level of care you'll receive."

Not surprising then that in a recent study Canadians said they expect medical and health costs to be the single largest expense for old age (74%)[11]. Family history, your current state of health and genetic testing can be helpful indicators in planning for one's health care needs during this phase of life but, ultimately, the timing and size of these costs are unknown. Any sound retirement plan needs to have a contingency amount for increased health care costs.

So if modeling your life expectancy, lifestyle and health care expenses helps you to define the amount of money you will need for the rest of your life, the flipside is to determine the amount of money you have and your sources of income in retirement. Once again, today's affluent boomer is defying traditional thinking.

FACTORS THAT MAY AFFECT YOUR INCOME IN RETIREMENT

WORKING ON YOUR OWN TERMS

The retirement model of previous generations – you worked to age 65, collected a gold watch and a pension and sailed off into the sunset – rarely applies today. Many people are choosing to work in some capacity during retirement, with the vast majority (80%)[12] saying they work because they want to, not because they have to.

This is especially true of high-net-worth entrepreneurs, executives and professionals. Some choose to cut back, rather than cease working entirely, and have the flexibility to do so. Some move out of the CEO role to Chairman as the next generation takes over the business. Others take on corporate board work, consulting assignments or advisory roles that allow them to work on their own terms, without the pressure of full-time engagement. Still others start new businesses or transition from business to the volunteer sector. A U.S. study found that 58% of working retirees saw the next chapter as their opportunity to change to an entirely different line of work[12].

Staying intellectually engaged is the number one reason people (62%) continue to work, while 36% say it contributes to a sense of identity and self-worth with just 31% choosing to because of the money[12].

11. https://www.bmo.com/pdf/mf/prospectus/en/14-1390%20BWI_Q3%202014_4%20keys%20CDN%20E07_web.pdf

12. http://www.huffingtonpost.com/ken-dychtwald/working-retirement_b_5452124.html

“When I left my last full-time position, I decided I wanted to earn a living out of my hobbies and accelerate my volunteer work. Now, I get to choose my professional opportunities based on things that interest me, not out of necessity.

It also means that in addition to the capital we have accumulated, we have two or three different sources of income that allow us to pursue our passions with no compromise in lifestyle whatsoever,” explained one semi/retired corporate executive.

Finding the right balance between work-retirement lifestyle can be tricky at times[13]. As one retired entrepreneur explained, “A little deal popped its head up recently and I went to work on it. I was awake thinking about it for three nights in a row. And it reminded me, this was how it used to be (when I was working) except I was lying awake every night!”

If you are contemplating how you might work in retirement, gerontologist, psychologist and author, Ken Dychtwald has this advice: start planning before you change your core career; be open to trying new things and reinventing yourself with new priorities; talk with your spouse

13. http://www.huffingtonpost.com/ken-dychtwald/working-retirement_b_5452124.html

about how you each see work fitting into your retirement dream; interview other people who are working successfully in retirement; and experiment by taking practical steps to try out your ideas[14].

NEW RULES AROUND CPP AND OAS BENEFITS

In addition to employment or business income, Canada Pension Plan (CPP) and Old Age Security (OAS) benefits provide another source of retirement income. While many high-net-worth individuals would consider these benefits to be rounding error, your planning should take into consideration the rules introduced in 2012.

With respect to CPP benefits, the new rules impact when you begin to collect benefits – as early as age 60, though the cost of doing so means a 0.5% deduction per year in the amount you will collect. Conversely, if you wait, say, to age 70, you can increase the amount you receive.

In the same budget were changes to Old Age Security, including an increase in the age of eligibility from 65 to 67. However, because the changes will be phased in over six years beginning in 2023, the majority of the baby boomer population will be unaffected.

Another planning point: manage, where possible, your investment income to optimize your OAS benefit. For example, if you have lower income in the early part of your retirement, with the expectation this will increase in the future, you may be advised to withdraw money from your RRSP first, as this amount is taxed as income on withdrawal. No two scenarios are alike; your financial planner can help you weigh the pros and cons to ensure you make the right choice.

LOW INTEREST RATES

Interest rates have not been this low, for this long, since the Great Depression. These low rates and a low-growth economy have made it challenging for retirees, and those saving for retirement, to generate sustained and increasing levels of income, without taking on too much risk.

The traditional 'safe haven' of bonds has produced paltry returns for some time now. For example, in 1992, the average yield on Government of Canada bonds stood between 7.2% and 8.5%. In 2015, this range has fallen drastically to between 1.0% and 3.1%. In dollar terms, this means a $1 million bond portfolio that would have generated between $72,000 and $85,000 in income in 1992, produces only $10,000 to $31,000 of income today.

The painful reality is that lower returns on traditional bond portfolios could present a real risk of outliving your money.

A portfolio of 80% bonds and 20% stocks, rebalanced annually and assuming a real withdrawal rate of 6%, has a 57% chance of being depleted over a 25-year retirement[15].

14. http://www.huffingtonpost.com/ken-dychtwald/working-in-retirement_b_5459482.html

15. http://www.pensionresearchcouncil.org/pdf/news/14.pdf ? according to UBS Financial Services.

EQUITY MARKET VOLATILITY

While equity markets offer the potential for higher returns, the dramatic market sell-offs of 2008 and 2009 has left many investors scarred.

As a result, some people elected to further increase their investment in stock markets as a way of 'catching up' for years of lost returns – often piling into high-dividend, blue chip stocks to generate yield.

"When we're asked to review new portfolios, we frequently see equity allocations that are 20% higher than what we would deem to be prudent for someone in or approaching retirement. That's pretty risky," says Mark Kinney, Chief Investment Officer at Newport Private Wealth.

Although the strong market performance of recent years may have some investors feeling generally euphoric about equities, it has left many Canadians overexposed to stocks and at risk of a significant or permanent loss of capital.

By contrast, other investors 'over-corrected' by retreating to the safety of cash or guaranteed investments. They face a different, stealth risk: inflation.

THE STEALTH RISK OF INFLATION

This is another major factor impacting retirement savings. While today's levels of inflation are benign, with no indication they'll be trending upward anytime soon, anyone living on a fixed income knows the potential for inflation to erode the purchasing power of their hard-earned wealth over time.

In the 1970s – when inflation spiraled up over 10%, a non-indexed fixed income of $1,000 in 1974 had the purchasing power of just $400 twelve years later. Even at today's low rates, over 30 years of retirement, inflation can seriously eat into capital.

Those with affluent lifestyles may be hardest hit: according to Forbes magazine, the cost of a representative basket of luxury goods and services has increased an average of 6.6% since 1996 – well above the current rate of inflation[16].

A good rule of thumb is that for every percentage increase in inflation over 2% per year, one has to amass an additional $400,000 of retirement capital.

16. http://www.advisor.ca/retirement/retirement-news/being-rich-is-not-a-retirement-plan-26438

2 HOW TO LIVE OFF YOUR CAPITAL IN RETIREMENT

Once you've become comfortable that you have enough capital for retirement, you'll likely have three new objectives: achieve steady returns to provide dependable investment income, keep your money growing ahead of inflation so that you won't outlive it, and protect against any permanent or significant losses of capital.

In the words of one recent retiree:

> *"All you think about before retirement is growing your capital base and whether that growth will be enough. Then (at retirement) you enter a second stage when the job is to consume it. It's a big and sudden change and it isn't easy."*

There are several things you can do to ensure a successful transition from building to consuming your capital.

DEVELOP AN INVESTMENT PLAN

An investment plan should be written, strategic and actionable – setting out your objectives, including how much income is required each year, known liquidity needs, risk tolerance, proposed asset mix and target rate of return and tax considerations among other factors.

In terms of asset mix, many people choose to adopt a more conservative approach in retirement, with a greater emphasis on income-producing assets. Income investments provide stability for the portfolio, downside protection and more consistent returns overall.

For example, let's say your target rate of return is 6% per year. If your portfolio yielded 4% from the income produced by the underlying investments, then you would only need your portfolio to grow by 2% per year to provide that rate of return and not eat into your capital. Not so daunting.

The Newport Private Wealth Investment Committee draws from a wide assortment of traditional and alternative asset categories in managing client portfolios.

Income investments don't have to mean just bonds. There is a wide assortment of income investments available to the high-net-worth and ultra-high-net-worth investor today, and these generally fall under the category of alternative assets.

DO WHAT THE PENSION FUNDS DO

It is our strong bias that an investment plan for high net worth investors should include access to alternative investments – real estate of all types, mortgages and mezzanine debt, high-yield bonds, infrastructure – as well as traditional stocks and bonds.

Alternative investments are used to reduce volatility and enhance return beyond the limitations of a traditional 'retail investor' portfolio of 60% stocks and 40% bonds. In fact, over the last 15 years, the correlation in performance of a '60/40' portfolio and a 100% stock portfolio was 0.99, meaning they performed pretty much the same[17]. In other words, this mix didn't provide the level of diversification and capital protection over a pure-equity portfolio that investors would have expected.

It is highly unlikely that stocks and bonds will continue this pattern of highly-correlated performance going forward. However, given extremely low bond yields today, income-oriented investors would be well advised to look for alternatives.

The investment model of traditional and alternative assets has been adopted by billionaires and pension funds for some time. And who would know more about providing stable retirement income than North America's largest pension funds? Investing in alternatives has helped some of them to outperform stock indices by approximately 2% annually over the last decade[18].

17. Blackrock The New Diversification: Open Your Eyes to Alternatives

18. Figures taken from 2013 Annual Reports for Canada Pension Plan, Harvard Endowment, Yale Endowment, Stanford Endowment and Ontario Teachers Pension Plan.

TAKE THE EMOTION OUT OF INVESTING

Having an investment plan you're comfortable with also helps to take the emotion out of investing. Because acting out of fear or greed is damaging.

For example, Peter Lynch, one of the best-performing money managers of our time, ran Fidelity's Magellan Fund from 1977 through 1990. During that period, Magellan earned an average annual return of 26.4%, nearly double the S&P 500's 13.3% return. However, it turns out that the average investor in the Magellan Fund earned an average annual return of 13.4%. Why the difference? Investors were doing the wrong thing at the wrong time – buying the fund after a period of strong performance and selling out of fear during periods of market decline[17].

"If you're tempted to make changes as a knee-jerk response to market volatility, it probably means the profile of your investment portfolio is not well matched to your investment temperament," says Michael Vanderburgh, Managing Director at Newport Private Wealth. "An investment plan should mitigate this and this is especially important for people who are dependent on their capital and don't have more time or money to recover from bad investments."

HIRE EXPERTS

Though admittedly it is our bias, it is advisable, for most people, to seek the services of financial planning experts and professional money managers to help them manage their retirement capital. We find very often that even those who took a 'do-it-yourself' approach or worked with an advisor during their working years seek professional money management in retirement. They tell us it's because the stakes are higher and they don't want to assume the risk of potentially jeopardizing their or their family's future when they're no longer in a position to replenish lost capital.

According to Keith Sjogren, a Senior Consultant and Managing Director at Investor Economics, a research firm specializing in Canada's wealth management industry, there are a variety of reasons high-net-worth and ultra-high-net-worth investors opt to hire professional money managers (discretionary portfolio management as it's known in the industry): higher level of investment expertise, lower costs that are tax deductible, better access to senior decision makers at the firm, and dealing with specialists.

Those are key factors to enjoying financial peace of mind in retirement and if you can improve your experience in any one of these areas you'll likely do better and feel better about your future.

In the words of one happy retiree, "About ten years ago we decided to get serious about building the capital for retirement and the best thing we did was a get a good portfolio manager. Our life today wouldn't be possible without him."

MONITOR PERFORMANCE AGAINST PLAN

Optimally, your investment plan and retirement projections should be a 'living, breathing document' rather than something that collects dust on a shelf. How is your actual performance tracking against plan? What if anything needs to be adjusted?

Vanderburgh says clients have come to count on their retirement plan as an ongoing decision-making tool for life events or major

19. http://www.cbsnews.com/news/lessons-from-a-great-fund-managers-record/

KEYS TO A HAPPY, SECURE RETIREMENT

- Start planning early.
- Clearly define your retirement vision, values, priorities and trade-offs.
- Get expert help with financial planning. Use conservative assumptions and run sensitivity analysis. Update this bi-annually at a minimum.
- Don't forget to factor in increased spending on health care.
- Review your balance sheet and the asset mix of your invested capital.
- Change as needed to meet objectives identified in financial plan.
- Consider the tax implications of your plan.
- Develop a formal, written investment plan.
- Employ traditional and alternative assets for your portfolio.
- Hire professional investment management if you can't be confident of your or your advisor's ability to deliver steady portfolio returns to meet your plan.
- Measure performance and tracking against plan.
- Have fun and enjoy the time and money you've worked so hard to create.

expenditures. "Some will call us up and say, 'We'd like to help our kids out. Will you run some numbers on what it would mean to our portfolio if we gave each of them X dollars?'"

He says the value for these people is that they become acutely aware of what they're spending and why. "They will also adjust. If the portfolio didn't grow as much that year or they feel they're not on track, they might postpone 'the big trip' to another year. It isn't just about discipline. It's about having a robust planning tool and the transparency in reporting to make clear and cogent decisions on an ongoing basis," he says.

Ideally, your retirement projections and your investment plan should be reviewed bi-annually or any time there is a major change.

ENJOY THE FRUITS OF YOUR LABOUR

Ultimately, how you invest your money or your time in retirement will be up to you. The average person has roughly 20 years of life remaining after retirement – time enough to master a new hobby, build your dream home, or mentor dozens of young entrepreneurs. There's even time to do nothing.

Retirement should be life on your own terms. As one retiree we interviewed put it, "retirement should be a time of wisdom and enjoyment. Everything else falls away. Gone are the days of keeping up with the Joneses. There is no need to be competitive. The competition is over… except for the golf scores."

RETIREMENT PLANNING WITH NEWPORT PRIVATE WEALTH

If you are starting to think about retirement, or you think there may be some gaps in your existing plan, we'd be happy to offer our expertise.

For more than 30 years, Newport Private Wealth's wealth management professionals have been creating retirement plans and investing capital to fund the lifestyles for hundreds of high-net-worth Canadians.

So committed are we to retirement planning that we include the service as part of our investment management fee.

We call this service our Retirement Crash Test™ – a process that models the client's retirement vision using a variety of financial assumptions and sensitivity analysis to determine what's possible, what's realistic, and to give them a plan for achieving their vision.

Clients at every stage – from those in their early 40s to people who have already retired – tell us they feel much more comfortable and confident once they have this plan.

Our investment management approach is also purpose-built to achieve retirement objectives: earn steady returns that deliver income, keep your money growing ahead of inflation so that you won't outlive it, and protect against any permanent or significant losses of capital.

In retirement, "there is no need to be competitive. The competition is over... except for the golf scores," says one retiree.

If you've been expecting more, we've been expecting you.

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