

SimpleSmart ADVICE



Aldershot Financial Group of ACPI guides families through decisions that affect their financial well being and investments. We are the 'go to' people in Aldershot when a life event requires sound financial advice. We care. We simplify. *We've been through this before.*

January 2019 :

- ◇ Will I Have Enough?
- ◇ Model Portfolio
- ◇ Final Thoughts

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Our monthly newsletter designed
to keep in touch with you.

Will I Have Enough?



In some ways, I am glad to put 2018 behind me. Last year, I said “Good-bye” to one of my closest friends and walked through some serious health challenges with family. Who knows what 2019 will bring? I prefer to look at life this way: “The best ten years are the next ten years”, whatever come. I have noticed one thing: my clients are getting older (despite our staff at

Aldershot Financial Group of ACPI never ageing – see picture at top). I have many clients enjoying life in their late 70s and 80s.

These same clients have been retired for several decades. According to the World Health Organization, the average Canadian male will live to age 80. And women can expect to live on average four years longer. It should be no surprise that seniors confess that outliving their income is their big concern.¹ Let’s face it, if the

average male lives to age 80, then 50% will live past this age. To protect against this risk, I have taken to planning income until the survivor reaches age 100 (!)

Ten years ago, the insurance industry was pushing a new product called Long Term Care (LTC) Insurance, that promised to pay for LTC, should the need arise, in exchange for premium payments today. These products never got traction in Canada for several reasons:

1. Premiums were expensive, especially if purchased too late
2. Benefits were difficult to nail down
3. Like most insurance, LTC policies were “sold not bought”. Insurance agents like me were unconvinced and, therefore, not selling

I have recently looked at care options for seniors and was flabbergasted by what I found. A survey of retirement homes within walking distance of my office revealed that costs for these homes start at \$75,000/year for food and housing for a couple (singles aren’t much less). Care can add \$20,000/year (yep, that’s right, you don’t get any care for 75 grand). These places are boosting their prices at double the rate of inflation.

How do people pay for this?

Many clients are selling their homes, eliminating a lot of overhead and investing the proceeds to fund their LTC. Let’s look at an example of how this could work.

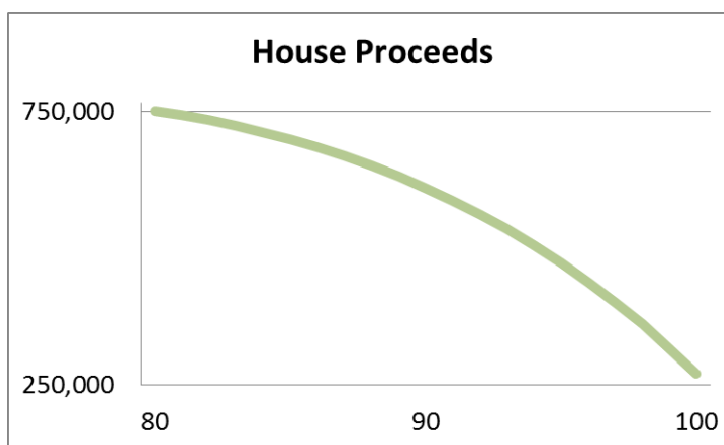


Chart assumes 4% growth on investments, taxed at 40% with \$25,000/year withdrawal, indexed at 4%. For illustration purposes only.

Mr. and Mrs. Seenyum sell their home for \$750,000 and invest the proceeds to fund what they estimate as additional costs of \$25,000/year for LTC, indexed at 4%/year. If they are 80 years old, we will assume that they need to fund another 20 years of expenses:

The Seenyums should be okay. Based on my assumptions, they will still have over a quarter million dollars at age 100. For long term planning, I don’t plan to “spend” your home (unless you insist on it) but rather look upon it as your LTC policy to be sold and used to fund care, if needed. Otherwise this value will be passed onto your heirs. With these two backstops, clients shouldn’t have to worry about having enough.

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¹ Globe and Mail. Super seniors face danger of outliving their savings. Gail Johnson, March 23, 2018. URL: <https://www.theglobeandmail.com/globe-investor/retirement/retire-planning/super-seniors-in-danger-of-outliving-their-savings/article27302767/>

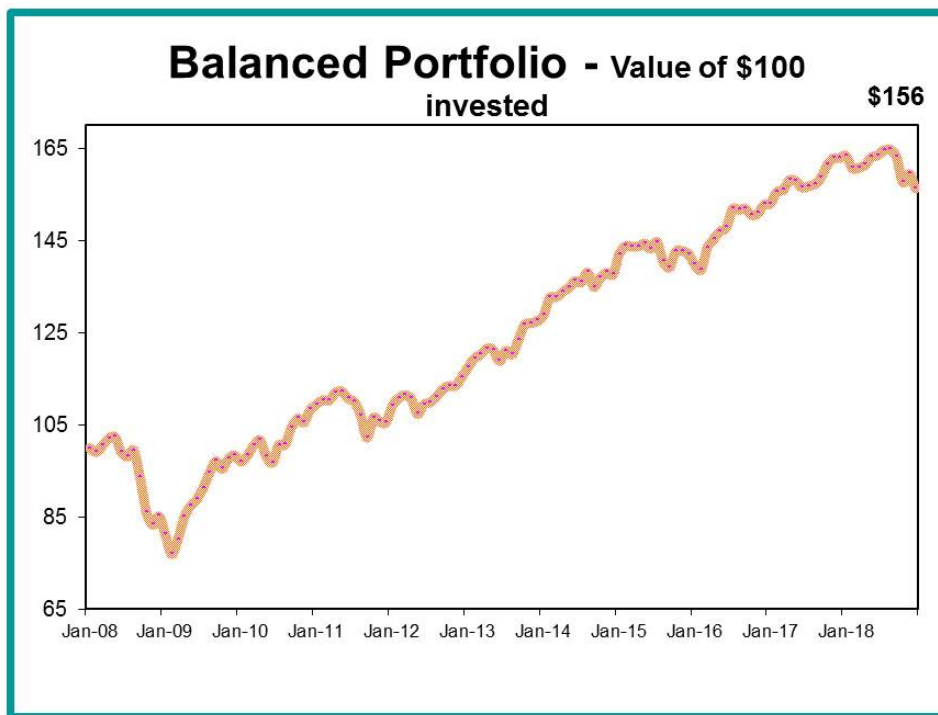
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Important Longevity To-Dos

1. Live With Purpose
2. Maintain Healthy Sleep Habits
3. Avoid Falls
4. Engage Your Brain
5. Exercise to Feel Great and Live Long
6. Embrace Aging
7. Eat Fruits and Vegetables
8. Understand Your Health

Source: [verywell health](#), Mark Stibich, June 27, 2018

Final Thoughts



This graph represents a model portfolio using 45% DFA Five-Year Global Fixed Income Fund Class A, 15% DFA Canadian Core Equity Fund Class A, 15% DFA US Core Equity Fund Class A (from January 31, 2008 to January 31, 2009) / DFA US Core Equity Fund Class A (H) (from January 31, 2009 to December 31, 2018), 15% DFA International Core Equity Fund Class A and 10% DFA Global Real Estate Securities Fund Class A, initially invested on January 31, 2008 with pricing up to December 31, 2018 using monthly data and rebalanced on a month-end basis. The data series has been smoothed. Actual client portfolio holdings are recommended based on personal circumstances.

Commissions, trailing commissions, management fees, and expenses may all be associated with mutual fund investments. The indicated rates of return are the historical annual compounded total returns including changes in unit/share value and reinvestment of all distributions/dividends. They do not take into account sales, redemption, distribution or optional charges or income taxes payable by any security holder that would have reduced returns. Mutual funds are not guaranteed, their values change frequently and past performance may not be repeated. Please read the Fund Facts and consult your Advisor before investing.

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