



## From saving to spending

Many people find the transition from accumulating investment savings to spending them a bit difficult, if not alarming. You worked hard to build up that nest egg, and making withdrawals from it can feel wrong.

Rather than worrying about this transition, it's more productive to spend your time planning it properly.

"From an investment standpoint, it's important not just to achieve a high enough level of return, but to achieve it consistently, so you can draw a fixed amount to support your lifestyle," says Dan Hallett, president of Dan Hallett & Associates Inc. in Windsor, Ontario. "If your investments take an extended downturn, it can be tough to get above water again when you're continually withdrawing funds."

When you're accruing funds, you can handle a prolonged downturn. In fact, a downturn can even be

a benefit then, because investments are cheaper to buy. But the reverse happens in retirement – you're taking money out of your account steadily, and if your portfolio is in the midst of rough weather, it can be particularly damaging.

### **CHOOSING SUITABLE INVESTMENTS**

As a result, diversification becomes more important than ever. Hallett says there's no single magic product that will safeguard your portfolio from nose-diving, but during retirement he recommends safer choices such as GICs, income trusts, bonds, preferred shares and funds that invest in these instruments.

On the other hand, don't go overboard and be too conservative. According to Statistics Canada, the average life expectancy for a man is now 77.2. For a woman, the figure is 82.1. A man retiring at the age of 55 can therefore reasonably expect to live for another 22.2 years – a woman, 27.1. So it's easy to see why





most people will need their portfolios to generate adequate returns to support their lifestyle for two or three decades after retirement. And for most people, that will still entail the inclusion of equities.

As for your insurance needs, says Hallett, they should go down if you've planned well. For example, if your children are adults now and you've managed to save what you need for retirement, you may no longer need life insurance. Without an income from an employer to protect, you probably don't need disability insurance either, nor would you be eligible for it if you were age 65 or over.

On the other hand, your critical illness coverage needs are tied to your personal resources, not to your employment income, and you might consider it during retirement, depending on a variety of individual factors.

Some people do choose to buy life insurance during retirement in order to have sufficient funds to pay off any estate tax after their death. That's a tax-planning question, says Hallett, and the answer depends on your priorities. After you hit your mid-forties, the cost of life insurance can start to escalate steeply.

Whether or not it would still be worthwhile is a matter of how you want to handle your tax-liability at death – but that's another story.

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