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Globe Advisor: When it comes to advising seniors, it's about preserving wealth and autonomy

BY: AMY O'KRUK

For many Canadians, saving for retirement is just the beginning. With life expectancy rising, advisors anticipate a growing demographic of seniors who will need help managing money well beyond age 65.

To thrive, planning ahead is crucial. The 80-and-up crowd is Canada's fastest growing age group, according to Statistics Canada. The agency predicts the number of Canadians 80 and older could reach 3.3 million by 2036, up from 1.5 million in 2016.

But longevity brings its own set of financial challenges, and seniors often seek guidance when it comes to wealth preservation and estate planning, among other areas.

In Canada, some advisors already specialize in financial planning for older Canadians, certified through an Elder Planning Counselor (EPC) designation offered by the Canadian Initiative for Elder Planning Studies.

Globe Advisor spoke to certified financial advisors with an EPC designation to discuss what key areas of financial planning are different for Canadians aged 80 and up.

Estate planning

For many seniors, how best to leave their money to loved ones or charities is top of mind.

Estate planning will be especially important in coming years as baby boomers inherit more wealth than ever before in Canada's history. Canadians are set to receive $750-billion from aging relatives over the next decade, according to a 2016 CIBC study.

"There will be a lot of money changing hands over the next 20 years," said Edward Romaniuk, a financial planner at Forté Financial Solutions, a subsidiary of Sun Life Financial, in Scarborough, Ont. "The last thing you want is for somebody to pass away and for there to be a big scramble."

Estate planning can include creating or updating a will, appointing representatives – powers of attorney, executors and trustees for an estate – or minimizing probate fees or taxes at the time of death through assigning joint ownership of assets and the designation of beneficiaries.

Mr. Romaniuk said a lack of estate planning can lead to probate and estates being tied up in the court system for months, if not years. In Ontario, if a person dies without a will and no next of kin, their estate generally goes to the government.

Looping in family members early can be key to a smooth transition as wealth changes hands.

"We're always trying to look intergenerational," he said. "So whenever possible, inviting the family to the table."

Wealth preservation

As Canadians live longer, savings need to go further, and many advisors tend to err on the side of caution, suggesting clients plan for a life expectancy of 90 or even 100.

Léony deGraaf Hastings, a financial planner with deGraaf Financial Strategies in Burlington, Ont., said she helps senior clients with services such as cash-flow projections and asset management.

"An elderly client would probably not have the same growth objectives for their investments. Their focus is more on capital preservation," Ms. deGraaf Hastings said.

She said factors such as failing health or mobility can affect budgeting. This can include paying for long-term care facilities, in which case clients may consider selling assets, such as a family home, to turn equity into cash flow. At the same time, clients will also want to make sure they're maximizing government benefits and tax credits, such as Old Age Security or the Pension Income Tax Credit.

Mr. Romaniuk said a lot of people in their 80s, as opposed to their 50s, are looking for safe investments. He points to segregated funds, which are market-based investments that offer guarantees, such as on income or the principle. He also points to guaranteed investment certificates, which are considered one of the safest ways to invest.

Compassionate advising

Old age can often mean making financial decisions that are intimidating or emotional for elderly clients.

Seniors may need extra support while navigating new technology, such as online banking tools, or making major decisions, such as selling a life-long home.

"It's a tough transition for some to go from their home to a retirement home. There's a lot of emotion there and letting go of memories," Ms. deGraaf Hastings said.

She said there are opportunities for clients to transition slowly and at a more comfortable pace. For example, she may suggest visiting a retirement community for lunch, a weekend or even a month before making a big decision, such as listing a home on the market.

In terms of technology, some of her clients need extra help understanding new tools, such as online banking, or setting up automated services, such as online bill payments.

Ms. deGraaf Hastings also said the death of a spouse can be particularly overwhelming when the power over family finances shifts.

“If the spouse who was always managing the finances is the one who passes away first, it can be a real challenge for the spouse that's left behind,” she said. “They suddenly have to take a real-life financial crash course in how to manage things.”

Ultimately the goal is to preserve clients’ autonomy. Beyond money matters, she also said advisers should make sure their practices are accessible and wheelchair friendly, or if not, potentially arrange house calls.

“Older seniors may need extra explanation or time to fully digest information,” she said. “Financial advisers need a little extra patience, compassion and empathy.”

Léony deGraaf Hastings, CFP, EPC, CEA
Certified Financial Planner
deGraaf Financial Strategies

Main Office : (905) 632-9900
Laura - Asst : (905) 690-5041
Laura - Email : laura@dgfs.ca
leony@dgfs.ca
www.dgfs.ca

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