

Planning a legacy

You're retired and comfortable, but life could still take an unexpected turn
James Daw explores how to use your money to help others and protect yourself

Bob and Mary Smith are retired and enjoying a comfortable life at age 68. They look forward to many more years together, but they are also thinking about their legacy.

Specifically, they wonder if they will have enough money, even if they live to age 95. If they will have enough, then how large of an estate can they expect to leave their two children, and how much can they give in a will to their favourite charities?

So, they turned to TriDelta Financial Partners, a small firm of certified financial planners with offices in Oakville and North York. The firm specializes in customized strategies for estate planning, and has dealt with other couples in a similar situation.

President Ted Rechtshaffen and vice-president of estate planning Asher Tward frequently encounter couples who discover they will have a comfortable income from their pen-

sions and assets. Yet, they have saved or inherited more capital than they will ever need, or feel comfortable spending.

The couples want to remain in control of their capital — just in case. But, after preparing a financial plan, TriDelta can propose strategies for minimizing risk, saving taxes, enlarging their estate and providing more for charitable donations.

The Smiths are a fictional couple whose situation is based on an amalgam of four other sets of TriDelta clients. The recommendation developed for them includes two possible strategies that most couples would never have considered.

THE CLIENTS: Bob spent much of his career as a manager with a car maker. Mary was an educator for 25 years, and finished her career as a vice-principal.

Bob's pension is \$65,000 and Mary's \$40,000 a year. Government pensions provide them a

further \$27,000 per year. Their pension income is more than enough to cover what they spend after taxes, which is about \$65,000 a year. Their spending is rising at only 1 per cent a year, yet their indexed pensions are increasing at 2.5 per cent. And they aren't yet drawing down

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their registered retirement savings.

In addition, Bob and Mary own their own home, currently valued at \$550,000. They have about \$400,000 in savings, including both registered and non-registered.

They are in good health, although Bob suffered a heart attack four years ago and underwent triple-bypass surgery.

Mary has the odd aches and pains, but no major health concerns.

THEIR QUESTIONS:

► Do we have enough savings to cover us for the rest of our lives, even if we live to 95?

► Will we have extra money and, if so, how much should we spend on ourselves, give to the children today, or leave to them for an estate?

► Can we set ourselves up in a different way to minimize taxes, both today and in our estate?

THE DIAGNOSIS: TriDelta does financial projections, assuming the couple's assets, invested in shares of public companies, would grow at an average annual rate of 6 per cent, and the value of their home at 4 per cent.

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