

# The richest folks in the graveyard

## Some 'super savers' may die with millions

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As

we have related in recent columns, too many "working Joes" are not taking full advantage of RRSPs. This means that if they can't envisage living on the standard government pensions, they may need to work full- or part-time well into their 60s.

But at the other extreme are a minority of "super savers" so accustomed to being frugal they may die with millions. Call them classic Canadian retirees, or CCRs.

That's a term coined by Ted Rechtshaffen, president of Toronto-based TriDelta Financial Partners. He says the average net worth of the top 20% of Canadians is \$1.26-million, most of them retirees. In families where the highest earner is 65 or more, 57% had employer-sponsored as well as government pensions.

"Many current retirees are in better shape than they think," Rechtshaffen says.

"While many come to us concerned that they might outlive their money, most discover that they will end up leaving an estate of \$1-million-plus."

That's good news if you're the child of such affluent retirees. Who wouldn't want a fat inheritance? But if they're childless, these super savers could end up as a cliché — literally, the richest people in the cemetery.

Meanwhile, while they're still alive, they spend far less on themselves than they could. They will leave more to the next generation than they think, pay too much tax and give less to charity than they could, Rechtshaffen says.

Vancouver-based financial planner Diane McCurdy once wrote a book titled *How Much is Enough?* Perhaps she should write a followup entitled *How Much is Too Much?*

For some, "too much" is the point where Old Age Security (OAS) benefits are "clawed back." In 2006, OAS benefits began to be clawed back with total net income of \$62,144, says Steve Salter, president of Vancouver-based Fimetrics Ltd. In 2007, the figure will be \$63,635.

Fimetrics' RRIFmetric program calculates that a retiree receiving \$10,000 in CPP and \$45,000 in a defined benefit pension is subject to OAS clawbacks once an RRSP reaches just \$50,000. But the RRSP would have to be worth \$872,000 before all the OAS was clawed back.

Retirees with no corporate pensions have larger RRSPs, since they can contribute more while working. With no DB plan and maximum CPP benefits, Salter estimates OAS clawbacks start with an RRSP of \$855,000. But it would take a \$1.67-million RRSP before all OAS benefits were lost.

This is consistent with what actuary Malcolm Hamilton has long argued. Hamilton, worldwide partner with Mercer Human Resource Consulting, says people are told to save too much while working and spend too little retired.

"They are encouraged to be fearful. They worry about rising prices, crashing stock markets, the cost of caring for dependent parents and children, governments reneging on benefits, tax increases, catastrophic medical expenses, and the cost of nursing homes."

These supersavers plan on the assumption they will live to 100 to be sure they won't outlive their savings. "They prepare for the worst and when they don't get it, they die with a lot of money in the bank," Hamilton says. "That's a good strategy for the bank, the financial planner and the children. It may not be such a good strategy for the retirement saver."

Some of these people are classically "wealthy" but many are middle class. Some worked at the same company for decades and have good pensions and low spending habits. They are typically conservative and cautious about their money.

They may be successful professionals or business executives or loyal employees who spent their entire career at one company. If the latter, they enjoy a fixed monthly pension, often indexed to inflation (for public sector plans anyway).

With the mortgage paid off and the children grown, these couples have more disposable income than ever but find it hard to shake the frugal habits that got them there.

TriDelta offers services and insurance products to help CCRs with their estate and tax planning. Its Web site at [www.tridelta.ca](http://www.tridelta.ca) lets you find whether you may be overshooting. Click on The TriDelta Estate 100 button and fill in the blanks on the calculator.

The output shows total after-tax estate value, taxes paid until death and an estate score. The closer to 100 it is, the less the chance you'll outlive your money and the more likely you will be leaving a huge estate for your heirs.

For some, this exercise may be an eye-opener. They may be happy to give their children and the government their life savings. Others may decide they want to emulate the creators of the bumper sticker that declares "We're spending our children's inheritance."

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**Ted Rechtshaffen, president of TriDelta Financial, says retirees who have saved all their lives out of concern they will outlive their money often end up having more than they need.**

