

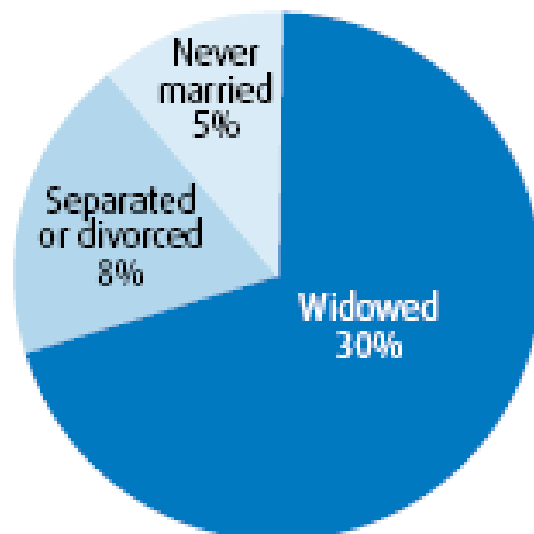
# Retirement For One – By Chance or By Design

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## What is the BMO Retirement Institute?

The BMO Retirement Institute was established in 2008 to provide thought provoking insight and financial strategies for those individuals planning for or currently in their retirement years

## Retirement for One – By Chance or By Design



Whether because of divorce, death or having never married, the odds of being single at some point in retirement are high

## Ever Singles vs. Suddenly Singles

Those who have never married or who have spent a significant portion of their adult lives unmarried will face a different set of challenges than those who unexpectedly become single due to their spouse's death or a divorce

## Six Key Considerations for Current & Potential Singles

1. Plan for retirement as early as possible
2. Build and sustain wealth
3. Understand income and expenses
4. Consider changes in housing needs
5. Focus on social and emotional well being
6. Devise a comprehensive health strategy

## Consideration #1: Plan for Retirement As Early As Possible

- Singles tend to be less likely to be informed about their financial well-being in retirement
- General lack of knowledge about government programs
- Couples appear more likely to discuss their retirement plans together and gather the necessary information to create a joint retirement plan

## Consideration # 2: Build and Sustain Wealth

- ❑ Suddenly Single often not prepared for loss of income
- ❑ Obstacles to building and sustaining wealth

- **Insufficient savings**
- **Increased longevity**
- **Inflation**

An inflation rate of...	Will double the cost of living every...
2%	36 years
4%	18 years
6%	12 years

## Consideration #3: Understand Income and Expenses

- ❑ Address income and expense disparities early
  - Basic life expenses
  - Public vs. Private Pension
  
- ❑ Ever-Singles do not receive survivor benefits

Income source	Couple	Ever Single	Suddenly single
CPP	\$21,200	\$10,600	\$10,600
OAS	\$12,400	\$6,200	\$6,200
Employer pension	\$37,500	\$18,750	\$18,750
Employer pension 60% survivor benefit			\$11,250
<b>Total income</b>	<b>\$71,100</b>	<b>\$35,550</b>	<b>\$46,800</b>
<b>Income advantage</b>			<b>\$11,250</b>



## Consideration #3: Understand Income and Expenses cont'd

### ❑ Even Survivors have a decline in income

- Couple earning \$71,000/yr – survivor earns \$46,800; that's a difference of \$23,300 per year (\$349,500 over 15 yrs)
- Decline in income often due to reduced amounts for survivor benefits and loss of OAS or even CPP.

### ❑ Possible solutions to address decline in income

- Reduce spending/lifestyle changes
- Downsize home
- Reverse mortgage
- Insurance

## Consideration #3: Understand Income and Expenses cont'd

- ❑ Can a decline in income be addressed with lifestyle changes?
- ❑ Spending patterns according to Stats Can (2007)
  - Couple age 65-75 earning between \$57,000 to \$80,000 spends on average approximately \$64,885/yr
- ❑ Considerations:
  - Housing expenses often the same
  - Tax rate may be higher
  - Increased demand for “hired help” for household and personal care

## Consideration #4: Changes in Housing Needs

### Home Alone

- 33.9% of people who live alone are seniors aged 65 and over (Statistics Canada, 2006)
- A large portion of seniors are renting, and half of renters living alone spent 30% or more of their income on shelter in 2006 (Statistics Canada, 2006)

### Alternative Housing – “Golden Girls”

### Co-ownership

## Consideration #5: Focus on Social and Emotional Well-Being

Transition from working to not working...

- Maintain balance in life stages
- Community works
- Loss of social networks upon Suddenly Single

## Consideration #6: Devise a Comprehensive Health Care Strategy

- Lack of financial resources and the personal care a spouse could provide
- Choose the right insurance

## Additional Challenges for Women

- ❑ Women tend to live longer and have longer retirements
- ❑ Women still earn less in the workplace resulting in lower pensions
- ❑ Women tend to be primary caregivers
- ❑ Divorced women may have less money

## Common Retirement Issues Among Couples, Ever Singles and Suddenly Singles

1. How much retirement savings do I need?
2. Where is it located?
3. How exposed to risk is it?
4. How much income will it provide?
5. Will I run out of money? If so when?
6. Can I or should I give inheritance money away now or later?

## Financial Planning Before and After Death

	Before Death	After Death
Couples - One of the spouses is usually more involved with financial issues than the other	Significant information can be shared and plans can be made in a non-emotional, stress-free basis	The death of a spouse can have a profound effect on a client's emotions
Ever Singles – Solely responsible for personal finances	May be unaware of financial issues, may delay retirement planning	N/A



## As the Primary Advisor...

### Divorce

- Division of assets may result in forced sale (i.e. Home)
- Result losing business from these clients

### Death

- Provide advice that addresses emotional needs
- New risk profiles and new asset allocation strategy may be needed
- Review beneficiary designations

## Immediate Challenges a Surviving Spouse Faces

- ✓ Possible financial illiteracy
- ✓ Emotional grief
- ✓ Go to person

## Important Steps in Helping the Surviving Spouse... Identify:

- ✓ Assets and liabilities
- ✓ "To do" items
- ✓ Short-term objectives
- ✓ Longer-term objectives
- ✓ Joint accounts

## Technical Considerations to Address Immediately



Update Financial Plan

- Access to benefits from spouse's employer
- CPP lump sum death benefit
- CPP survivors' benefit
- Reduced survivor pension income
- Lost OAS income
- Invest insurance proceeds
- Assess overall risk profile of all investments
- RRIF rollover option

## Variety of needs

- **Emotional support and empathy**
- **Financial education**
- **Close assistance with budgets, income and expenses**
- **Helping to map out new vision for the future**
- **Setting up tax-efficient retirement income**
- **Help with consideration of the wealth transition strategy in the estate**
- **Planning for providing for children who need assistance**
- **Understanding and effectively managing the risk profile of the investment portfolio**
- **Using tax-effective investment products**
- **Assisting with CPP survivor benefits and funeral home expenses**
- **Dealing with insurance death claims**

## The Role of The Advisor Team

- Relationship Manager
- Insurance Advisor
- Investment Advisor
- Estate planning advisor
- Lawyer
- Tax Advisor



### Market Conditions

Worried about retiring in today's market?

[Take Control >](#)



### Retirement Solutions

Need help with your retirement plans?

[Get Help >](#)



### Retirement Strategies

Thinking about working longer?

[Learn More >](#)

## BMO Retirement Institute

### How to plan for retirement in volatile times

[Listen to an informative interview](#) between Tina DiVito, Director of BMO Retirement Institute and Moshe Milevsky, PhD, Professor of Finance at York University.

### Boomers Revise their "Retire-By" Date as Financial Landscape Changes – April 2009

Not long ago, the future offered the baby-boom generation an exciting array of choices. Many dreamed about retiring on their own terms, creating a sustainable and meaningful time of life, and the decision to work longer often had more to do with self-fulfillment than financial preservation. Now, amidst severe market turbulence, the landscape has changed. This report investigates the financial and retirement planning issues that are specific to boomers who are considering revising their "retire-by" date to secure steady income stream.

### Retirement for One – By Chance or By Design, A BMO Retirement Institute Report – January 2009.

Whether by divorce, death, or never marrying in the first place, the odds of being single at some point during retirement are high. Regardless of how or why one finds themselves unmarried in retirement, one thing is certain; it presents a unique set of financial, emotional and planning challenges. The report investigates the financial and retirement planning issues that are specific to single boomers, whether they are single by chance or by choice, and provides key considerations.

### Retirement Strategies for Volatile Markets – January 2009

Whether you are already in, or close to retirement, the current market downturn has given some of us for concern, especially when it comes to retirement plans. This latest article from the BMO Retirement Institute helps make sense of your retirement and investment options during these uncertain economic times.

### Connecting Insights: Putting Caregiving into Focus

Many Canadian Boomers are thrown into the role of caregiver without warning, often unprepared for the emotional, social and financial impact that it can have on their lives and the lives of their families. This article highlights the important considerations that boomers will face, including understand the cost realities as well as the hidden benefits.

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# Questions???

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