

Canadian Business

Procrastinators' Portfolio

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When saving for retirement, it's never too late.

It's a situation stressful enough to send most people's anxiety levels sky-high. You wake up one morning, you're 50, and you have no retirement savings. Unfortunately, many Canadians are heading toward that scenario or, worse, are living it. According to two Ipsos-Reid polls released earlier this year, six out of 10 adults feel they began saving for retirement much too late in life, and nearly 30% of investors do not own an RRSP.

"Retirement is catching a lot of people by surprise," says Diane McCurdy, a certified financial planner and author of *How Much is Enough?* "And they're either panicking or burying their heads in the sand."

So, how can you build a nest egg in middle age? Well, the standard financial planning steps still apply in this case, explains McCurdy. Get a handle on your finances by tracking your spending for a couple of months and drawing up a list of your assets and liabilities. Set your retirement goals and build a realistic plan to achieve them. Reward yourself along the way. Cover your butt with insurance policies. And finally, don't forget about estate planning and wills. (If any of these steps leave you scratching your head, get help from a certified financial planner.) On top of those things, consider the following strategies from some of Canada's most well-respected financial experts.

Strategy 1: Jump-start your RRSP

"Just making annual RRSP contributions at this point will likely not do the job," says mutual fund guru Gordon Pape. On the bright side, he points out that you've probably accumulated a huge amount of RRSP deductions (the Canada Revenue Agency lets you carry forward indefinitely these kinds of tax credits). To take full advantage of it, Pape suggests you consider taking out an RRSP loan. "The important thing is to get your money working for you, in a tax-sheltered way, as fast as possible," explains the author of the upcoming book *The Retirement Time Bomb*, which hits bookstore shelves in January. Once you've done that, he also recommends you set aside 30% of your gross income for retirement savings. Pape, however, quickly adds that an RRSP loan may not be for everyone. "You need to look at your finances and see if you can handle it, because you'll have to make loan repayments and the ongoing RRSP contributions."

Strategy 2: Invest with 'aggressive conservatism'

"When you're starting with nothing, you have to take on more risk," says Pape, "because you have to boost the rate of return in your RRSP." He openly admits that advice may floor some people. After all, we're talking about a person's retirement money. But Pape

can't see any other way to catch up. To be clear, he doesn't mean rushing out and rolling the dice on penny stocks. Rather, Pape suggests you build a diversified portfolio, with greater-than-average growth or income potential, that won't collapse if markets go down. He calls this style of investing "aggressive conservatism."

To follow it, Pape says to carefully invest in income trusts, bank stocks and insurance companies. Certain high-yield bonds also fit his aggressive conservatism approach. And when it comes to mutual funds, he suggests picking ones with a history of above-average returns with below-average risk profiles. He holds up CI Canadian Investment Fund as an example (with a five-year annualized return of 12.1% as of June), and suggests you can find others among the Mackenzie Cundill and Beutel Goodman funds. Just remember: Pape and other leading financial experts agree that your investment style should always match your comfort level with risk.

Strategy 3: When it comes to life insurance, think outside the pine box

Few topics are as morbid as life insurance. Exploring all of your options, however, can pay off--and not just in the event of an untimely death. Tim Squire, a division director with Investors Group in Saskatoon, says that while an insurance policy requires minimum payments to keep the coverage in place, you can contribute more than that amount and put the extra money into investments that grow tax-free within your insurance policy until you withdraw them.

Henry Zimmer, author of *The Wealthy Procrastinator*, says middle-aged couples with similar incomes who plan on working for the next 10 to 15 years, should consider a single "first to die" policy. With these kinds of products, when one person passes away the survivor receives the death benefit. Switching from two separate policies to a single first-to-die policy can free up money to grow your other investments, says Zimmer.

Strategy 4: Use a little psychology

Whether it's taking a few less vacations or bringing a few more bagged lunches to work, finding ways to cut back on your spending is easy. The hard part is sticking to a more frugal lifestyle. In her more than 25 years of experience giving financial advice, Diane McCurdy has learned that "people only change when they want something."

For added motivation to follow your savings plan, she recommends that you write down a "wish list," things you'd like to spend money on in the short and long term, along with the estimated cost for each item. If you live with a partner, McCurdy stresses that you do this exercise separately. One person always influences the other's wish list, she explains, and that can lead to all sorts of problems. For example, McCurdy says, "sometimes one partner will make all of the decisions, while the other one won't say a word but will later steam with resentment." Once both people have finished their wish lists, she adds, they share them and then together prioritize the items. (Of course, be sure to include these expenses in your overall financial plan.)

Another tip McCurdy's clients use is something she calls the "48-hour rule." It sounds almost too simplistic to work: when you see something expensive you want to buy, wait 48 hours before you purchase it. McCurdy says her clients find that they forget about the item most of the time.

Strategy 5: Look at your family members in a different light

Love, companionship, a constant source of joy--family members can provide all these things. When it comes to financial planning, though, they can do a whole lot more. "With smart tax planning, such as income splitting between family members, you can often save more money than you can make with your investment returns," says Rudi Carter, a senior financial adviser at Assante Wealth Management in Toronto. If you still need to put your children through school, he suggests you use an RESP, as well as consider putting investments in trust in your kids' names. In the latter case, Carter points out that each child can earn upward of \$7,000 tax-free, because of every Canadians' basic income deduction.

Your aged parents might also give you a financial helping hand. For example, Zimmer suggests taking into account potential inheritances. "If you're 50, and your parents are in their 80s, and you're going to inherit a half-interest in a home, I think you can factor that into your financial plan," he says. Zimmer points out that although such things are not guaranteed, "it can help to take some of the pressure off."