

A photograph of a woman with curly, light brown hair, smiling warmly. She is wearing a white button-down shirt over a dark top. The background is softly blurred, suggesting an indoor setting with natural light.

Quick tips

Put your house to work

If your retirement income doesn't meet your needs and you own your own home, you may want to consider a reverse mortgage. This is simply an arrangement that allows you to tap into the equity you've built in your home.

Here's how it works. Instead of you making mortgage payments to a bank, the financial institution that holds your reverse mortgage makes payments to you. The amount you owe on the reverse mortgage grows over time as you receive more payments. When you die (or move out of the house), the house is sold and the proceeds are used to pay back the money you received, plus interest. What's left, if anything, will go to your heirs.

There are no income or health requirements. However, you have to be at least age 62 and the home generally has to be your principal residence.

The upside is you get to continue living in your home and, at the same time, receive untaxed income. But there are some negatives:

- The amount you can receive from a reverse mortgage ranges from a minimum of \$20,000 to a maximum of \$500,000 of your home's appraised value. The amount available to you will depend upon a number of factors, including your age, and the age of your spouse, where your home is located, and the type of dwelling.
- The upkeep of the house is your responsibility. That means paying the taxes and insurance, as well as any repairs.
- There are fees associated with getting a reverse mortgage and, of course, interest is charged on the money you receive.
- The interest rates charged tend to be higher than on regular mortgages.
- Depending on the location of your house, you may not qualify.
- If you intend to leave your home to your children, they may end up with little or nothing.

That said, if the money crunch comes, a reverse mortgage may be an option worth considering.

Independent financial advice should be sought when considering a reverse mortgage.

Review your beneficiaries

It is important that you periodically review and, if necessary, update your beneficiaries for company pension plans, RRSPs, RRIFs, insurance policies, etc. because a beneficiary could have died, or you could have a change of heart about who should be your beneficiary.

Keep in mind that for most pension plans, your spouse is automatically your beneficiary, unless he or she signs a waiver. Also be aware that the definition of who qualifies as your "spouse" can vary from one province to another.

The facts on tax

You may be retiring... but the taxman isn't. Pension payments, annuity payments, interest from guaranteed investments and withdrawals from RRSPs will all be taxed as personal income.

Dividends from Canadian corporations and capital gains generated outside a registered savings plan will also be taxed, although at a lower rate than regular income.

Although taxes are a fact of life, you can – with a little planning – control how much tax you pay. For details on how to minimize your taxes, see the article "Do the math with the other half" in this guide.

Life expectancy: what to expect

How long will you live? Knowing the answer to that question would make retirement planning a whole lot easier. There would be a lot less chance you would save way too much or, worse, way too little for retirement. However, no one knows exactly how long they will live.

Canadians are living longer these days. Quite a bit longer. Fifty years ago, the life expectancy at birth for a male was approximately 66 years; for a female it was closer to 71.⁸ By comparison, the life expectancy at birth of a male today is approximately 77 years; for a female it's closer to 82.⁹

Keep in mind that these figures include all those people who die before retirement. So if you've made it this far in life, chances are you'll beat the median age – possibly by quite a bit.

According to recent Statistics Canada data, the average male who is age 65 lives to age 82, while the average female who is age 65 lives to almost 86.¹⁰ These are averages and 50 per cent of people who are age 65 will live longer.

The bottom line: you need to realize that you might live two or three decades after leaving the workforce – and plan accordingly.

Snowbirds: make a soft landing

Some retirees are so eager to escape our chilling Canadian winters that the snow "blinds" them to the many pitfalls that can crash-land a snowbird's flight.

If you plan to spend part of your retirement in warmer climes (or, for that matter, any other country) keep in mind the following:

- Health insurance is a necessity. One day of intensive care in a U.S. hospital can set you back as much as \$10,000 U.S.
- Going for the cheapest health insurance coverage may save you a few dollars in the short run, but wipe you out financially in the long run. You need to ensure that any coverage you buy will meet your needs...both expected and unexpected.
- If you overstay your welcome, you may be liable for a tax hit in your host country both while you are alive and when you die. Before you leave Canada, make sure you know all the applicable tax rules that apply.

- Taking up permanent residence in another country will trigger a deemed disposition of all your Canadian property. That could result in a hefty tax bill. Consult a lawyer or accountant who has experience with cross-border tax and financial issues.
- U.S. securities laws may restrict your ability to manage your Canadian investments. Make sure you understand all local laws governing securities.
- Canadian legal arrangements may not be valid outside of Canada. For example, a Canadian power of attorney is not valid in the U.S.

Consolidate for convenience

While you can have as many different investment vehicles in as many different financial institutions as you want – life can get pretty complicated that way. If you consolidate your investments with just one or two financial institutions, keeping track of your finances and budgeting will be a lot simpler.

Put your affairs in order

While it's sometimes hard to appreciate, life does go on for others after you are gone. Getting your affairs in order now will make it easier on those people. It will also help avoid unnecessary misunderstandings, mistakes and taxes.

Here are a few tips to help you get your affairs in order and ensure those affairs are settled as you intended:

- Make sure your will is up to date.
- Give your executor a copy of your will, as well as a list of your financial, legal, and tax advisors, assets, insurance policies, and important documents.

- Leave a detailed memorandum with your will that spells who gets certain household effects (such as family heirlooms) and why. This can help prevent hurt feelings and family rifts.
- Discuss your funeral arrangements in advance with family and friends.
- Leave a paper trail to your financial records (including tax returns, bank records, investment statements, etc.), safety deposit boxes, and personal documents (health card, driver's licence, social insurance number, passport, etc.).

The time you spend getting your affairs in order will dramatically reduce the time and frustration at the other end of the process. And that can only help endear you in the memories of others.

Stay in touch

Life can sometimes get a little hectic – especially if you're in the middle of a move. But it's important that you take time out to let people know.

If you change your address, don't forget to tell your financial institution, insurance company, and employer(s) (past and present), so that they continue to send you important documents, such as cheques, statements and renewal notices.

Similarly, if you have annuity or pension payments that are being deposited directly into your bank account, don't forget to tell the organization(s) making those payments. A quick letter will help to make sure your retirement income continues without any unnecessary interruptions.

⁸ Statistics Canada

⁹ Statistics Canada

¹⁰ Statistics Canada