

## What Others Are Saying About

### *Master Your Retirement*

“Retirement and what it means has evolved over the years and this book hits the mark by providing a clear, understandable, step by step approach to retirement planning, adapted to today’s changing and often uncertain economic times. Not only does Doug lay out the strategies to achieving and maintaining peace of mind financially but, perhaps most importantly, on truly enjoying the various phases of retirement to our full potential. Doug has obviously “experienced retirement” vicariously over his years of dedicated service as evidenced by this complete guide towards financial and personal well-being.”

—D. BENARDIN. WINNIPEG, MANITOBA

“Quite simply the best Canadian retirement book out there! Doug Nelson has a knack for explaining complex retirement issues—whether they be of a financial or non-financial nature—in an engaging, clear way! The chapter on ‘Managing Portfolio Risks’ was eye-opening and provided excellent advice for handling our hard-earned retirement nest egg going forward. This book is a must read for all Canadian adults who wish to ‘master their retirement!’”

—J & D GIFFORD. GRIMSBY, ONTARIO

“Reading *Master Your Retirement* enabled us to understand many of the strategies necessary to plan our retirement, particularly from a taxation perspective. Because we were nearing retirement, it was very relevant to our situation and opened our eyes to the many areas of investment savings to be had by applying the principles in the book to preserve our wealth. Truly timely advice for any age wanting stability with growth.”

—D.& P. RUDD. LETHBRIDGE, ALBERTA

“If you read one book on retirement, read this one. In this easy to read book, Doug Nelson demystifies all of the key factors that must be addressed in order to Master Your Retirement. Highlighting sometimes obvious, but often misunderstood hidden obstacles, such as the great Killers of Wealth, and identifying our changing needs as we progress through the different phases of retirement, Doug ties it all together by offering a retirement roadmap that ensures you can sleep at night knowing that you are in control of the best stage of your life.”

—J. CAMERON STOTT. WINNIPEG, MANITOBA

“*Master your Retirement* is a book for all ages! In fact, the sooner earners of financial resources read this book the better. The financial benefits of doing so can be substantial, in fact, life-changing. The book is clearly written, contains a wealth of information and gives concise financial guidance for many stages of life, both pre and post-retirement. It is a book that all parents should gift to their adult children. I did!”

—J. PETERS. WINNIPEG, MANITOBA

“A great book that every Canadian thinking of retiring in the next few years, or newly retired should read. It covers all the required subjects but ties them back to easy to understand case studies. This updated version emphasizes the importance of a financial plan, but also the importance of regular updates when things don’t go as planned such as the great recession of 2008-2009. An easy read that you will thoroughly enjoy.”

—M. LAMONTAGNE. PARTNER. RYAN LAMONTAGNE INC. OTTAWA, ONTARIO

“*Master Your Retirement* helped me to focus on all financial aspects, what to look for, and the importance of paying attention to the “5 killers of wealth” in order to assure a successful and comfortable retirement. At the end it is important what we keep in our pockets.”

—A. KONCZ. TORONTO, ONTARIO

“I have read several excellent books on retirement. I think *Master Your Retirement* by Doug Nelson encompasses everything the others don’t. Doug’s book is clear and concise and written so that anyone can understand investing and retirement.” —B. ELZINGA. CALGARY, ALBERTA

“Doug’s straight talk and common sense approach to building wealth and understanding the importance of balance in life is refreshing in an industry that chases overnight success most often the financial advisor’s success. In my opinion, few financial advisors take into account the big picture of what is really important in life and instead over promise and under deliver. Doug’s book provides the tools for a real-life approach to success, inside and outside of your bank account.”

—A. DE GAGNE. WINNIPEG, MANITOBA

“For those who are not fortunate enough to look forward to a gilt-edged retirement pension, *Master Your Retirement* is a must-read. Very well written and easy to understand, the detailed information on CPP, OAS and GIS, which almost all Canadians will to some degree benefit from, offers excellent insight into what is available and how to use it to your best advantage. With the massive wave of Boomers currently entering their retirement, this book will be extremely useful.”

—B. ARBUCKLE. TORONTO, ONTARIO



# MASTER YOUR RETIREMENT

How to Fulfill Your Dreams with Peace of Mind

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Douglas V. Nelson

MASTER YOUR RETIREMENT - Fourth Edition

How to fulfill your dreams with peace of mind

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# Foreword

## Why You Need to Read This Book Today

This is a book for people of all ages. It is written for people who don't just want to "do" retirement, but instead, this book is for you if you want to truly "Master Your Retirement."

I want you to have it all, whatever this means to you, in your retirement! I have written this fourth edition of *Master Your Retirement* so you can understand, plan and control your wealth with stealth!

I have broken this journey down into several sections:

- **What the Masters Do:** In this first chapter, I begin by sharing with you traits and strategies already being used by those who are mastering their retirement today.
- **Understanding the Killers of Income and Wealth:** Next, we will reflect on those things that stand in your way of being financially successful. Don't be a victim of the unexpected. I will show you how to identify and stop the erosion of both your retirement income and capital, so you can easily maneuver through the rough waters that will inevitably occur.
- **The Retirement Rules:** What rules do you need to know to ensure you meet your objectives? What rules do you need to know to find the right balance between income, taxes, fees, and portfolio risks? What do you do first, second and third? How do you weigh the pros and cons of various options? How do you select the best combination of investment tools? You see, unless there are some clear "rules" to follow, you will be like a cruise ship sailing across the ocean with no captain and no rudder. This, in my view, is one of the key reasons why people get into unexpected troubles in retirement. They are either not aware of these important rules, or they fail to follow them over time.
- **The Phases of Retirement:** In this section, I will outline for you the five most common phases in retirement and how you can best prepare for each. You will learn how a plan for each can help you maximize even the least enjoyable parts of the journey by knowing what to expect and how to deal with the unexpected. This is all



about being forward-looking and being prepared. But this is also all about breaking down your retirement years into several smaller stages. Whenever you can break down a larger problem or activity into smaller steps, you always get closer to mastery.

- **The Retirement Mastery Process.** In this section I will encourage you to think in terms of three important processes: i) the month by month Road to Mastery process, ii) the income layering process and iii) the portfolio risk management process. You will see how to defeat the sneaky and dangerous Killers of Wealth in each. You will also see why “investment product planning” comes last, after the strategic planning to avoid those killers of your wealth. The portfolio should be designed to deliver the right income at the right time with the least amount of risk and the least amount of tax. The plan for income must always come first. This chapter also talks about reflecting on your current life plan throughout each year. It is always important to have something to look forward to, so living a purposeful life is also key to your success, happiness and peace of mind.

In each chapter of the book, I will provide several practical strategies for you to consider. The ideas and strategies in this book come from over 50 years of real-life experience in our family practice. We know what works with families who have experienced retirement. We have found that the best approach, frankly, is to keep it simple.

But before you begin, I wish to add one final point. Like all things in life, the greatest results are achieved with effort. I am not going to promise you that “mastery” will come by putting your retirement plans on auto-pilot or by investing your hard-saved money into pre-packaged, financially engineered products that are meant to protect you from all that ails this world.

No, instead I’m going to say that today the world is as it is. It ebbs and it flows, from good times to bad and back again. The current and future markets will always be volatile and uncertain. The economy will always grow and then contract, sometimes lasting for 15 to 20 years at a time. Without question, retirement is a challenge, but this is no different than everything else you have experienced in your life up to now.

If you are looking for the next great investment idea or the next great product solution, this book is not for you. In my experience, there are no quick-fix solutions or easy, one-size-fits-all strategies for retirement success (sorry to be the bearer of bad news).

Instead, this book focuses on principles, benchmarks and strategies to:

- Reduce taxation.
- Reduce investment management fees.
- Address head-on what we call the “5 Great Killers of Wealth.”
- Provide benchmarks for making decisions.
- Break down your retirement years into meaningful stages.
- Identify and manage the risks to your retirement plans today.
- Help you prepare a buffer to all of your decisions.
- Help you create a reliable, consistent and low-risk income stream.
- Help you gain the most from your government benefit plans.
- Help you get the most out of your retirement years, bringing you the confidence and peace of mind that you so richly deserve.

While it is nice to think about retirement as a constant period of sunny skies, sandy beaches and unlimited resources, this is far from reality for the vast majority of people. In fact, the struggles you have faced all of your life will often continue into retirement:

- You will worry about your kids and grandkids and will want to support them in any way you can. It is hard for most of us to stop being a parent.
- You will worry about your health and the health of those around you.
- You will worry about your finances and the security of your income.
- You will be hit with unexpected (yet predictable) expenses to maintain your home, your cottage, your vehicles and your travel health insurance.
- As a result, you will have a strong sense of urgency to live for today regardless of the impact this may have in the years ahead. If you string together many back to back years of living for today, you will find over time that you are continuously setting the bar of happiness higher and higher, yet never to be totally fulfilled and potentially closer to financial hardship.
- You will be confident and on top of the world in one moment, and likely frustrated and challenged the next. This will occur time and

time again due to constant changes in your finances, your health and your relationships.

How do I know this? I know this because as a financial advisor, and the second-generation owner of our family business, we have seen the lives of our clients ebb and flow over the past 50+ years, and I can assure you that this ebb and flow does not stop once you declare yourself retired. There is nothing magical that happens when you enter retirement that suddenly makes you immune to the trials and tribulations of everyday life. The sooner you acknowledge this, the closer you are to mastering your retirement.

What if I told you that you could have:

- Significantly more income in the future, so you could do all the things you most want to do,
- The peace of mind of knowing you can reduce the risk of running out of money in your retirement,
- The confidence of knowing that your portfolio can withstand typical market volatility,

...would you be interested in learning more? I hope so, because these three goals are achievable.

What if you knew you could have hundreds of thousands of dollars more to spend throughout your retirement—without taking on more risk or winning a lottery—would you be interested in reading further? Most people would!

This book is all about achieving real results for you and your family:

- Receiving a consistent and reliable income in retirement (so that you can plan your affairs with confidence).
- Paying the least amount of taxes and fees on your investments (to increase the real value of your income, so you can preserve more of your savings).
- Having a low-risk investment portfolio (for peace of mind and reliability of cash flow).

Very simply put, the Road to Mastery includes three key points:

**Pay Attention to the Details**

**Pay Attention to the Killers of Wealth**

**Follow Time-Tested Financial Rules and Principles**

From my point of view, these three areas are rarely discussed in other retirement planning books or seminars. This is why this book is so important to you today. When you focus on mastery, you always achieve more. So, don't just "do" retirement, together let's "*Master Your Retirement!*"

If you are between the ages of 40 and 55 today, this book will help you understand how best to accumulate the right amount of money in each of the right buckets so that you achieve your retirement income goals in a very clear and purposeful manner.

If you are between the ages of 56 and 70 today, this book will help you visualize that process of gradually transitioning into retirement as you move through the high-risk zone of the retirement years, determining when best to draw from your Canada Pension Plan Retirement Income Benefit and your Old Age Security Income Benefit, and selecting when best to begin to draw income from your RRSP and pension plan.

If you are between the ages of 70 and 85 today, this book will help you continue to plan ahead as you move through the "active years" and into the "years of increased dependency."

If you are an entrepreneur, this book will provide you with additional ideas on how best to plan your exit from your business so that you can continue to split income with your spouse in retirement.

Simply put, this book will help you Master Your Retirement, by providing you with insights, strategies and lessons that we have learned over time, helping hundreds of people retire over the years.

All the best on your Journey of Mastery!

Douglas V. Nelson

# Introduction

## Understanding Today's Retirement Reality

In the fall of 2008, the first edition of Master Your Retirement was published. This book is now celebrating 10+ years of being in print and the publishing of its fourth edition.

A lot has happened in these past 10+ years:

- Most stock markets declined in value by 40% to 60% from June 2008 through to March 2009.
- The Canadian market price index didn't get back to the June 2008 levels until almost 6 years later (the summer of 2014). Since June 2008, without accounting for the reinvestment of dividends, the Canadian market index is only 8% to 10% higher than the June 2008 values (as of August 2019). What does this mean? **Without including dividends, the Canadian market has grown by only 1% per year over the past 10+ years (June 2008 to August 2019).**
- Looking at the U.S. markets, using the broad-based New York Stock Exchange Index of 2800+ companies, this index didn't recover back to the June 2008 highs until the spring of 2013. Again, **it took 5 years to recover from a market decline that only took 10 months to occur.** From June 2008 to today, without including the reinvestment of dividends, the New York Stock Exchange index grew by only 2.55% per year.
- The best place to have been as an investor over this time has been the Nasdaq composite index. This index is dominated by the large technology companies, which have driven most of the market growth over this period of time. The correction for this index began a year earlier, in November 2007, and didn't reach its bottom until March 2009. **This index declined by approximately 55% over this 16-month period of time.** The index didn't return back to the November 2007 levels until 5 years later in 2012. Without including the reinvestment of dividends, this index has seen an average annual return of approximately 9% per year since November 2007.

So what does this mean to investors?

- When markets correct, the correction can take place over a matter of months, the degree of correction can be significant (20% to 50%) and it can take 3 to 6 years to get back to your original values. If you are drawing income from your portfolio during this time, it will likely take considerably longer to get back to these original values, if you get back to these values at all.
- This is something that you must protect yourself against so that you can preserve both your income and lifestyle during your retirement years. And since this is a very important consideration, to what extent are markets poised to have a similar correction sometime in the next 6 to 24 months?

What does this mean to how you plan for the future and how do you know if you will have enough income to retire?

- The historical long-term stock market returns over the past 11 years have been in the 2% to 3% range, without including dividends. If you include dividends, the average annual return is approximately 4% to 5%. However, these figures don't include investment management fees. Using the RBC Balanced Fund A as an example of a long term Canadian balanced fund, the average annual return from June 1, 2008, through to August 2019 is approximately 3.12% after fees. Therefore, when forecasting potential future income or investment returns for your retirement plan, a 3% to 4% figure is prudent. If you are forecasting your retirement success on a 5%, 6% or 7% annual rate of return figure, this is likely aggressive, unrealistic and irresponsible.<sup>1</sup>

Other events of the past 10 years:

- President Obama was elected in the fall of 2008.
- The price of oil peaked at \$145 per barrel in July 2008 and has ranged between \$40 and \$70 per barrel over the past few years.
- The price of gold peaked in August 2011 but has been trading almost 35% lower since that time.
- Sidney Crosby scored the overtime winning goal in the Winter Olympics in Vancouver in 2010.
- Apple released the first iPad in April 2010.

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<sup>1</sup> Data Sources: ycharts.com; ishares.ca

From a retirement perspective, recent StatsCanada data shows us the following:

- The average retirement age for all Canadian's continues to increase. The average age for all Canadian workers, and for the self-employed, increased from approximately age 63 in 2014 to age 64 by 2019.
- The average age of retirement for public sector employees is approximately age 61, for private-sector employees it is closer to age 64 and for the self-employed it is age 68.
- Looking at older StatsCanada data dating back to 2000, the average retirement age in Canada was estimated to be approximately age 61.
- Of those Canadians working beyond age 60, 50% were doing so out of necessity while the other half were doing so for other reasons such as to top up their lifestyle income desires (e.g. travel), for personal satisfaction and for social interaction. There are approximately 2.7 million Canadians over the age of 60 who continue to work in some way.
- In 2016, Canadian's age 65+ represented almost 17% of the Canadian population. In 2001 this figure was 13%.
- In a March 2015 study from the Department of Economics at the University of Victoria, we see that 1/3 of working men and 1/5th of working women at 55 to 69 were self-employed. By age 65, 40% of the working class are also self-employed.<sup>2</sup>

So what do these statistics mean to you today?

- Freedom 55 (remember that?) is a distant memory. In reality, most people retire between age 60 and 65. As time goes on, this will likely continue to increase. If you are 45 or 55 today, this may mean that age 65 or older may be your likely retirement date.
- However, many people continue to have some employment income even into their early retirement years. This helps to provide additional lifestyle money but also provides a sense of purpose, a sense of satisfaction and also a social connection.

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<sup>2</sup> <https://www150.statcan.gc.ca/t1/tbl1/en/tv.action?pid=1410006001>.

<https://www150.statcan.gc.ca/n1/pub/75-001-x/10404/4235110-eng.pdf>

<https://www150.statcan.gc.ca/n1/pub/71-222-x/71-222-x2018003-eng.htm>

[https://www.jstor.org/stable/24365153?seq=1#page\\_scan\\_tab\\_contents](https://www.jstor.org/stable/24365153?seq=1#page_scan_tab_contents)

- This employment income, in many situations, comes from some form of self-employment. The growth of the “freelance worker” is one example of how older Canadians can earn additional income based on their years of expertise.
- Therefore, you may wish to purposely plan to have some form of self-employed income in the years ahead. Perhaps this comes from rental properties or sharing your knowledge as a consultant.

What have we learned about the retirement years themselves?

- People are continuing to live longer and the retirement years are also expanding due to increased life expectancy. If you were born in 2002, the average life expectancy rate in Canada was expected to be 79.6 years. If you were born in 2008 the average life expectancy is expected to be 81 years. Over this 6-year period of time this is almost a 2% increase. If we project these figures to 2019, does this suggest that the average life expectancy in Canada is now closer to age 84? Remember, this is the average.
- The number of Canadians age 65 and older is expected to increase by 20% by 2024. I wonder if the health care budget in Canada can be expected to grow at the same rate? And if it doesn't grow at the rate, to what extent will this cost move back to you and/or your family?
- If you were age 65 in 2002, life expectancy was projected to be 18.9 years on average. This is really important to note: once you reach age 65, your life expectancy is actually greater than the average life expectancy when you were born. By 2008, a 65-year-old was expected to live 20.2 years. This is an increase of almost 7%! This means that retirement reality for most folks is easily a 20 to 30-year period of time. If you are 45 to 55 today, retirement reality for you may be working until age 65 to 70, and living a life well into your 90's (on average!).
- The average age in Canada in 2019 is approximately age 63. There are more 63-year-olds than any other age group. The baby boom demographic represents those who are now between age 53 and 73. 15 years from now, this will be between age 68 and 88. What will the health care system look like at that time?
- Yet we know that as we age, illness continues to be a real concern.



- 97% of dementia diagnosis are those age 65 and older. There are approximately 25,000 new diagnoses every year with a projected number of almost \$1 million people with dementia in 15 years time. You have a 45% greater chance of diagnosis if you are a smoker. The annual cost of care of dementia patients is estimated to be over \$10 billion. The Alzheimer's Canada website cites 8 strategies to help care for your brain: Challenge yourself, be socially active, eat well, be physically active, reduce stress, protect your head, make healthy choices and volunteer. This sounds like a recipe for a great retirement! As with most major illnesses, people are surviving longer.
- It is estimated that in 2019 113,000 Canadian men and 107,400 Canadian women will be diagnosed with some form of cancer. 50% of all cancers are diagnosed as lung cancer, breast cancer, colorectal cancer and prostate cancer. Based on 2006 to 2008 estimations, 60% of Canadian's diagnosed with Cancer can expect to survive for 5 or more years. The 5-year net survival rate for lung cancer is approximately 17%, for colorectal cancer it is 64% and for prostate/breast cancer it is 95% and 87% respectively. Survival rates have been increasing at a significant rate over the years. This is all good news. The trends are in the right direction.
- What causes cancer in the first place, you may ask? On the cancer.ca website we see several items listed on this topic: getting older, smoking, the sun, overweight, poor diet, lack of exercise, alcohol, exposure to harmful chemicals and for some, it is simply a part of your DNA. To what extent can you live your life to ideally minimize some of these risks?
- The average age of someone entering a retirement home is approximately age 79. Half of all residents are age 85 and older.
- The average annual increase in care facility costs is approximately 4% annually.
- In Ontario, 2019 figures report that the average wait time for entry into a care home is 161 days, where the current waitlist is close to 35,000 people.
- Your cost for publicly funded long-term care beds in Ontario range from \$40 to \$90 per day. This could be as much as \$32,000 annually, depending on your income. Other private funded facilities could be considerably more.

- The average inflation rate in Canada in 2019 is approximately 2% per year. But the inflation rate for medical expenses is approximately 4% per year.<sup>3</sup>

What do all of these health-related statistics suggest? Well, when planning for retirement this may tell us that the number of healthy years could be longer than you think. The time in care may also be longer than you expect, due to the fact that we are all living longer due to medical advancements.

**Therefore, having money set aside for your “health care plan” in retirement is extremely important.**

The significance of this has only continued to rise each and every year. If you are 55 to 65 today, what will the situation look like when you are 85?

What other major changes have we seen over the past 10 years?

- Business owners have considerably less flexibility when accumulating money for retirement and / or when planning their retirement income. The recent tax changes that impact the taxation of passive investment assets inside of a corporation, combined with the less flexibility to split income with a spouse, which in turn impacts the ability for that same family to maximize RRSP contributions, are all ways that have made it harder for entrepreneurs to plan their retirement.
- Canada Pension Plan contribution requirements have continued to rise. Beginning in 2019, contribution rates to the CPP will begin to rise again. Today’s level is 4.95% each (employer + employee = 9.9% total). By 2024 the contribution rate will be 5.95% each. In 2024 and 2025 additional contributions will be required if your income is higher than the Yearly Maximum Pensionable Earnings Level (today it is approximately \$57,000).
- Carbon taxes and rental costs are also on the rise. If you are 65 and paying rent today, this cost may consistently rise by 2% or more each year. In 20-years your monthly rent could be 35% higher.

<sup>3</sup> <https://www150.statcan.gc.ca/t1/tbl1/en/tv.action?pid=1310040901>

<https://alzheimer.ca/en/Home/About-dementia/What-is-dementia/Dementia-numbers>

<https://www.cancer.ca/en/cancer-information/cancer-101/cancer-statistics-at-a-glance/?region=on>

<https://www.olta.com/olta/OLTCA/Public/LongTermCare/FactsFigures.aspx>

<https://www.aon.com/canada/media/1nov2018-MedInflation-en.jsp>

- Cybercrimes, fraud and elder abuse are also on the rise. Keeping yourself safe from being a victim is increasingly challenging and there are often more dollars at stake. Unfortunately, family members can often be the cause or source of some of these problems.
- Cognitive functions decline at exactly the time when big decisions need to be made. Perhaps one of the great ironies of ageing is that important discussions are not had, nor are important decisions made when the ageing individual is healthy and competent. Over time subtle changes in competency begin to occur, until such time as important discussions need to take place. Yet the person most impacted by these decisions likely doesn't have the cognitive ability to fully understand or rationalize these decisions. This person may then become difficult to deal with or highly defensive against any change. We have seen this scenario more and more over the past 10 years, which means to us how important it is to have these frank discussions with family members consistently throughout the retirement years. This is important because it is all about giving you the most amount of say and control of your own future, especially if you are unable to make those decisions at that time on your own.

So what is today's retirement reality? Today's reality is simple:

- **Working Longer:** People are working longer, even on a part-time basis for many different reasons, some out of necessity and some out of enjoyment and connection.
- **Better Health:** The active living years continues to expand for many people well into their late 70's and mid 80's.
- **Rising Health Care Demand:** Yet costs continue to rise for the medical services we all need as we age. Demand for these same services is also growing considerably as the baby boom population continues to age.
- **Care Is Needed for a Longer Period of Time:** People are living longer due to medical advancements and a greater emphasis on healthy living, which means that the longer-term costs for care are also rising.
- **Lower Investment Returns:** Yet to make all of this work, we have been seeing lower average rates of return with the threat today of another recession.

- **Increased Risks:** Yet, as we age, we also become more vulnerable. We need to find a way to protect against these risks so that you can maintain your independence and flexibility for as long as possible.

How does one navigate through these challenges with mastery?

To begin to master all of this, it is important to recognize the following:

- **Your Plan is Unique to You:** No two retirements are alike and that virtually every retirement is unique (based on the jobs, incomes, pensions, ages, preferences, abilities, health, priorities and interests). You need to effectively layer and plan multiple sources of income.
- During the working years, your family may have access to two to three different sources of income. Yet in retirement you could have 15 to 20 different sources of income, each taxed differently and each with different degrees of flexibility.
- You are planning for two retirements and not just one. Since both spouses have contributed to family income and family savings, in most situations you are planning for “two retirements” and not just one. This can be good news, from a tax point of view, if it leads to family income splitting, but this can also be emotionally challenging when couples strive to determine “what is best.”

Consider also these real-life complexities:

- Each spouse may retire at the same time.
- Each spouse may retire at different times.
- One may retire many years before the other due to a significant difference in age.
- One may wish to travel and volunteer time in the community while the other may wish to stay at home and putter in the yard.
- One may wish to do whatever possible to retire from a stressful current work environment, while the other may have significant retirement goals and plans and can't wait to begin to act on these plans.
- One may be forced to retire gradually, or all at once, due to health issues. The other spouse may wish to retire sooner than planned due to the health care needs of another family member.

- One may retire for a short period of time, only to go back to work again on a part-time basis. The other may retire for a short period of time, only to start a small business a few years into retirement.
- One spouse may wish to spend more time with grandchildren, while the other may wish to spend more time with long lost friends.
- One may wish to remain active in a variety of sporting and other social activities while the other may wish to stay close to home and enjoy the tranquillity of the garden.

With all of this being said, it would appear that an overall “retirement plan” can be hard to nail down. Yet without a plan, you are like a cruise ship that has no way to steer. You may end up simply adrift for years and years, only to end up like a capsized vessel somewhere off the coast of Italy, which may result in financial turmoil or broken relationships.

But at the same time we are seeing other countries around the world embrace a different view of retirement; a view that includes working in some capacity beyond age 65 and into one’s 70s. A view that includes a greater attention to one’s health, diet and exercise, not only in retirement but in the years leading up to retirement. One of the keys to a healthy life expectancy is simply to embrace a healthier you. This is very different than the historical view of a retired person being old, slow and fragile. This is also very different than the traditional notion that “retirement” is a cold turkey event: one day you are working 50-hour weeks and the next you are basking in the sun, only to live happily ever after. It’s a nice thought, but a reality that is less and less common.

**Yes, for many people, retirement can be the new adventure they have pictured, but it doesn’t necessarily come without some well thought out plans that include one’s health, exercise and some form of work. These are all things, as we are beginning to see, that contribute to a great, masterful retirement.**

With this being said, we then recognize that there are several components to an ideal retirement plan.

- **The Lifestyle Plan:** These are the things you wish to do during your retirement years. This will include your plan for exercise and health, your plan for work and your plan for play. Most retirement plans will also include a series of stages, where each stage

may represent 3 to 5-year periods of time. One stage may include more travel whereas another stage may include more time with the grandkids. One stage may include more work for income while another stage may include a greater degree of volunteer activities. All of these components will be considered in your lifestyle plan. The clearer you are on those things that are important to you in your Lifestyle Plan, the more energized and passionate you will be in your life.

- **The After-Tax Income Plan:** This is a breakdown of the after-tax income you will “need” to cover your basic living expenses as well as the additional after-tax income you will “want” so as to meet your lifestyle objectives. This is a technical component of your overall retirement plan that needs to be consistent with your Lifestyle Plan. The first goal is to have a clear understanding of the income you will need each month, after-tax. The second goal is to ensure that you are spending your money in a manner that is consistent with your Lifestyle Plan. Finally, the third goal is to ensure there is no wasted money. You’ve worked hard to get where you are today, why waste what you’ve worked so hard to accumulate?
- **The Income Tax and Portfolio Plan:** This is the way in which you will draw the income you need, when you need it, so that you pay the least amount of tax and have the lowest risk portfolio. If you work part-time for one or more stages in retirement, this will influence which source of income you draw from first, second and third. This is the critical component that builds the bridge between your Lifestyle Plan and the After-Tax Income Plan.
- **Your Health Care Plan:** You will also want to consider your health care plans as you age. How will you handle the stairs? When might you give up your driver license? Who will help you with the activities of daily living? What costs might be involved and how will you pay for them? Your health care plan is about your continued independence, not about being forced into a care home. But you can’t just enter a care home when you are ready, you do need to plan ahead in some way, and you need to include your family to ensure your wishes can be met.

Since your retirement years will consist of a series of multi-year stages, all of these plans need to be reviewed every 18 to 24 months. This is how you will gain the most amount of life in each of the years ahead.

Alternatively, your overall retirement plan should never be only about the money and your rate of return. Nor should your retirement plan ignore the money, the portfolio, taxation or your health.

Sometimes a retirement plan can be hard to nail down because you end up focusing on only one of these areas while ignoring the others. Some people will spend considerable time focusing only on the income tax and the portfolio and forget that they need to plan to live a full and vibrant life. Some people will spend time focusing on a full and vibrant life but be disappointed when the money is not there to fund such a life. Others may ignore both the “after-tax income plan” and the “income tax and portfolio plan” by simply turning on all sources of income at the same time and basing their lifestyle on only what they receive. In this instance, the couple may be paying too much tax or taking too much portfolio risk. It will be the taxation, portfolio risk or health care expenses that may ultimately cause the greatest financial harm in the end.

To incorporate all aspects of change, you need a strategic retirement plan, your roadmap to navigate your course or a required change of course.

*So what is today's retirement planning reality?*

- Plan your retirement years as a series of stages and transitions with each stage lasting 3 to 5-years in length.
- Use self-employment work or volunteer activities so as to generate additional lifestyle income or for additional stimulation and socialization.
- Pro-actively develop a healthy diet and regular exercise program, as these two areas are critical to a healthy, active and dynamic retirement. This adds life to your years while at the same time potentially reducing the risk of additional health care costs.
- Embrace flexibility: Couples need to plan for two retirements, not just one. This approach will help to honour the interests and needs of each spouse over time.
- It's both an art and a science: You will likely have access to 10 or more sources of income throughout your retirement years. The key is determining how best to draw from each source so as to minimize the impact of taxation over time, while also producing a secure income with a lower risk portfolio.
- Transition gradually: Finally, today's retirement reality is that retirement is no longer a cold turkey event. For most people, retirement is simply a series of transitions over a longer period

of time, as people gradually transition away from full-time employment. As a result, the key to mastery is to be clear about those things of which you are most passionate and to live a joyful life.

## **IN SUMMARY**

### **Master Your Retirement—Introduction**

By following a retirement plan and reviewing it every one to three years you will truly *Master Your Retirement*. You will:

- Adapt to changing circumstances easily,
- Reap the benefits of tax efficiency,
- Live the life you most desire to have,
- Sleep comfortably at night knowing your portfolio has the right risk profile and your basic income needs will always be met,
- Pro-actively plan your future,
- Leave nothing to chance,
- Avoid family conflicts and miscommunication,
- Maximize your lasting legacy for generations to come.

You need to be forward-looking, to anticipate changes before they occur.

### **Things You Need to Know**

- The economy and the stock markets will always be uncertain. Never coast. Never put your retirement plan on “auto-pilot.”
- The best way to *Master Your Retirement* is to “focus on the details”: learn from the Masters (Chapter 1), defeat the Killers of Wealth (chapter 2) and follow the rules (Chapter 3).
- Government programs are always changing. It is important to stay on top of these changes.
- As our Canadian population ages, more and more pressure will be placed on the health care system during a period when government income from income tax will likely decline. This means that the only constant will be change over your 20+ years of retirement.
- There are four components of a retirement plan: The lifestyle plan, the after-tax income plan, the income tax and portfolio plan and finally the health care plan.



## **Questions You Need to Ask**

- What are your greatest fears about retirement?
- What would you consider to be the greatest risks of retirement?
- What do you look forward to most about your retirement?
- What does the ideal retirement look like to you?
- To overcome the fears and risks, and to achieve your ideal outcome, how much effort are you prepared to undertake to truly *Master Your Retirement*?

## **Things You Need to Do**

- Be open with your spouse. Talk about the things that you are fearful of and be confident in addressing these issues openly. The worst thing you could do is avoid addressing the difficult issues.
- Be open to learning new things. This will include learning new things about taxes and investments, which may be areas that you are not comfortable with today, but are critical to your long-term success.
- Be open to change. Retirement is a long period of time and you and your spouse will evolve during this time.
- Be open to the downside of ageing. Ageing is for the birds. It is not necessarily a pleasant ordeal, to say the least, but it is a reality. To be in denial is to miss opportunities to be with family and friends. To face it head-on will result in happier times.
- To minimize the impact of ageing and to gain the most from your retirement years, a healthy lifestyle is a critical component of your retirement plan.
- It is becoming the norm to work in some way in the first few years of your retirement.
- Be forward-looking. The single greatest thing you could do to avoid the poor house is to be forward-looking. This is the process of anticipating future scenarios so that no matter what happens, you are ready.

## **Decisions You Need to Make**

- Will my spouse and I retire at the same time?
- Will we retire at once or will we retire gradually?
- Will we commit to the 12-month plan outlined in Chapter 14?
- Will we challenge each other to try new things?
- Will we support each other to do those things that are important to the other?
- Will we commit to mastery?

### **MASTERY PRINCIPLE**

To *Master Your Retirement* is to visualize your retirement three years at a time so that you ensure that you have made plans for all aspects of your life: career, physical activity, health, your spouse, your family and your other relationships.

To have a plan that you are excited about is one of the great contributors to longevity, health and happiness. This is just one of the key differences between people who just “do” retirement and those who “master” retirement.

# 1

## Lessons from the Masters

*The ultimate measure of a man is not where he stands in moments of comfort and convenience, but where he stands at times of challenge and controversy.*

—MARTIN LUTHER KING JR.

Beth and Cameron are both in their late 50's. The children are grown, have left home and are establishing their own lives, families and careers. For the first time in a long time, Beth and Cameron can begin to focus again on those things that are most important to them.

But where to begin? Beth would love to go back to school, but Cameron would prefer to travel. Cameron wants to spend more time visiting with friends and having them over for dinner, while Beth would prefer to be active in the faith community.

Beth and Cameron have seen some of their friends postpone their retirement years because they simply couldn't agree on what they wanted their retirement to look like. Some postponed their retirement because they were not sure if they had enough money while others clearly stated that they wanted to live for today and figure out the rest later.

Beth and Cameron are not sure if they should be looking to others for advice, or if they should plan a retirement that is unique for them. Then again, Beth and Cameron really hate the entire notion of retirement, because it makes them feel like they are getting old.

### **Where should they begin?**

May I ask you a question? If you did certain things consistently well, consistently over time, would this increase your odds of success, in anything

that you do? Before you answer, let's look at the opposite of this question: if you did a wide range of activities, where you decided on those activities often at the last minute, where those activities were chosen on a random basis, how you did those activities were often different each time and at a different level of skill, to what extent the outcome be random as well?

Hopefully, when it comes to retirement planning you like the idea of being purposeful in everything you do. If you did certain retirement planning strategies, and you did those activities on a consistent basis, and you did those activities at a high level of expertise, would your retirement plan have a higher probability of success? Of course it would. This is also true in virtually every other aspect of your life, whether it be learning a sport, a musical instrument, your career, your relationships and so on.

So, with this being said, what are those things we should do over time to enhance the success of the retirement plan? Well, this begins by looking at what some of the Masters do today.

We have learned many great lessons from those who have created a masterful retirement. Perhaps the greatest lesson of all is that a masterful retirement is the next logical extension of a masterful life. Those who have learned how to create a masterful life will also have the most masterful retirement. What does this mean?

First, this means that you should toss aside the word "retirement" and whatever you think you are supposed to be doing in retirement. Ignore all of the images provided by the media and even ignore what you see others doing in their retirement years. Instead, focus on what is most meaningful and important to you today and for the next 3 to 5 years. The masters have taught us that they are most happy when they are living out each phase of their life in ways that are most important to them. They are not living their life by how it has been defined by others. They are living their life, each and every step along the way, on their own terms. Are you living your life on your terms or on the expectations of others?

Second, living a masterful life means that you are proactively and clearly defining each of the next several phases of your life. You are NOT planning for retirement and whatever this means to you. You are NOT planning for a period of decline or ageing. Most importantly of all, you are NOT putting your life on autopilot and beginning to coast. Instead, the masters teach us about the power of continuously planning for all of the phases of your journey called life. When you think of your life as a series of stages, steps or phases, then you see your life as a cumulative, incremental adventure.

This is highly energizing, purposeful and meaningful which also creates a higher sense of urgency to each and every day. Do you see your life as a cumulative adventure or are you seeing retirement as your years of decline?

Thirdly, the masters teach us that the greatest sense of satisfaction and joy often comes when we are in service to others. This means that those who are most happy tend to be those who see the world as a place much bigger than just themselves. This is the value that often comes from work, whether it is for family, for income or as a volunteer. Work, unto itself, is not a bad thing. Instead, work is the foundation of a well-balanced life. The key is to make sure that work is meaningful, empowering and in balance with everything else that is important.

The good news is that this does not mean that you are running yourself ragged. Instead, this means that you are focused, perhaps more so than ever before, on what it means to have a truly balanced and purposeful life.

The true masters are those who define their life in their own terms, over and over again, year in and year out, in a well-defined and well-balanced manner, by spending their time on purposeful and meaningful activities and making adjustments along the way.

## **THE ISSUES**

The problem many of us face today is that we are easily caught up in the challenges of the moment. This may include pressures from family and friends to work, live or act in a certain manner. There may be economic pressures to buy a big home, to move to another big home, to buy a cottage, to take the kids to Mexico each year, to enroll your children in the finest schools or to enroll your children in summer hockey, winter soccer or 16 classes a week at the dance studio. To add to these challenges, you may also be dealing with health issues. This may include ageing parents, a sick child or even yourself, dealing with stress, burnout, fatigue or depression. For others, these challenges may also include the ups and downs of running a small business.

To pay for this, and to live the life we most wish to live, most of us need to work really hard. In most situations, this means that both spouses need to be fully employed. While all of the above-mentioned goals may be worthy and well justified, the result may be that it leads to a very unbalanced life.

Some of the outcomes of an unbalanced life may be:

- Long working hours that may lead to challenged relationships with your children and your spouse.
- High levels of debt that may lead to increased conflicts about money and feelings of insecurity.
- Long working hours that may limit your ability to have regular exercise, which in turn may result in unhealthy weight gain, which may then lead to current and future health issues.
- Less time spent overseeing your financial affairs and staying in touch with your advisor team. This may mean that your financial plan may be well off track without you knowing. You may also be exposed to unnecessary risks that could cause significant financial harm one day.
- Increased dependency on your current working situation. Any change in this situation could result in a significant disruption to your lifestyle.

The challenges facing today's modern society all stem from the definition of perceived success and happiness. How can anyone possibly be happy unless they "have it all" and "have it all now"? We are bombarded with this same message hundreds of times a day in every form of media.

The problem with this lifestyle pattern, particularly as one moves closer to retirement, is the intensity. As stress levels rise or as health issues begin to emerge, many people feel the need to retire sooner. They know that they can't keep up their current pace. In some cases, they know that they just aren't happy and are looking at the utopian view of retirement as their saviour. But if their life up to now has been as intense as described above, then odds are they have not had enough time to set aside enough money to leave the workforce today. Is this one of the reasons why the savings rate is so low?

**In other words, from a financial planning perspective, it is difficult, if not next to impossible to "have it all, all the time." The numbers simply don't add up for most people in most situations.**

*Ok, enough of this negative stuff, what's the answer?*

The answer is clear and simple: Begin today to live a life that has fewer extremes and is in better balance.

Yes, it is clear: life is hard, life has its ups and downs and life is a journey and retirement for many is no different. But, throughout this life, if you pay attention to certain details, you can achieve not only a healthy, balanced lifestyle but also achieve all of the joy, success and happiness you desire. This success doesn't just happen one day, nor does it happen the day in which you retire. Instead, this success, true mastery, begins today, regardless of your age and stage in life.

The key principles that lead to a balanced, joyful life each and every day are the same principles that apply to a balanced, joyful and masterful retirement. Why save up the best for last? Why be stressed during your working and family years so that you can one day be hopefully rested and relaxed? Why would we want to jump from one extreme to the next when we can find the right balance today and live this balance each and every year going forward? Why be miserable in your job when you could be excited and passionate about the important work you do each day?

Are most people living a life of extremes, during their working years, so that one day their life could be in better balance (such as in retirement)? Why not look for better balance each and every day and strive to minimize the time spent living in extremes?

The principles and strategies discussed throughout this book are designed to help you find greater purpose and balance in your life today and for the years to come.

*So who is mastering their retirement today?*

Those who are mastering their retirement today are the same people who have been the masters of their life in the years and decades along the way.

Those who are typically dissatisfied with their work, their relationships or their surroundings during their working years are also those who are typically finding dissatisfaction in their retirement years. Those who found fault with their employers and their working environment are also those who are finding fault and dissatisfaction in their retirement investment portfolios, health care plans and living arrangements.

Alternatively, those who found great joy and abundance during their working and family years, are also those who are finding the same joy and abundance in their retirement years.

These are really important points because many retirement veterans will tell you that retirement isn't always what it's made out to be:

- Your investments rarely perform as you hope.
- More aches and pains arise over time.

- As you age your confidence level declines.
- Travel is becoming more and more expensive and prohibitive.
- Health care and most other living expenses are on the rise.
- The ebb and flow of both the economy and the stock market are of constant concern.
- The adult children of the retired couple will sometimes struggle and call on the retired couple for financial support.

If you are looking toward retirement as the next phase of life to make you truly happy, when you are not happy today, odds are you will find just as many things about retirement that will make you unhappy as you experienced during your working years.

So the key to Mastery is to begin today by creating a well-balanced, focused, meaningful and passionate life, which, unfortunately, requires effort.

In the book *Talent is Overrated: What Really Separates World Class Performers from Everyone Else*, author Geoff Colvin states that “the differences between expert performers and normal adults reflect a life-long period of deliberate effort to improve performance in a specific domain.” The expert performers focus on a concept called “deliberate practice.” In other words, it isn’t just a process of working hard, but instead, it is a very meaningful and deliberate approach to doing certain things well consistently over time.

*What is the deliberate practice we all need to consider today and into retirement?*

In Napoleon Hill’s *Keys To Success: The 17 Principles of Personal Achievement*, the first and most important principle of success is to “Adopt a Definite Major Purpose.” Napoleon Hill describes it as “knowing what you want” so that you can get busy creating it. He encourages you and me to regularly affirm this vision and to see yourself already living this life and to give yourself a compelling motive for doing what you want to do.

**Bridging these two thoughts together, if we were to deliberately practice adopting a definite major purpose in our lives, how would that change or influence what you do today and in the future?**

To be a Master of your Retirement, you begin by applying those same principles and strategies necessary to create a Masterful life.



## THE SOLUTIONS

*Who are the Masters and what are they doing? What principles and strategies do the Masters follow each and every day? What do the Masters believe?*

**Mastery Belief #1: The Masters make gradual changes over longer periods of time:** The Masters are typically those people who have today, and have always had, mid to longer-term objectives or goals. These mid to longer-term goals have helped the Masters stay focused on the horizon, and be less worried about some of the smaller details or issues of the day. As a result, their life up to now has rarely experienced a sudden cold turkey event. Instead, their life has always been a series of gradual changes over longer periods of time. As a result, when they begin to enter their retirement years, the same gradual changes occur as they shift their time and attention gradually from one area to another. The masters would rarely sell everything and move away to another climate. Instead, due to their outward and strong connection to their community, they may choose to travel to different locations when they so desire to do so. The masters would rarely leave employment, or a specific job, in one big step. Instead, the masters would typically transition gradually over a longer period of time. In literally all aspects of their lives, they have been methodical yet purposeful, and so the transition into retirement, for many of the masters is hardly even noticeable. The masters believe that making gradual changes over time is often the most prudent course of action.

**Mastery Belief #2: The Masters are externally focused:** The masters are those whose passion and interests are typically outward focused on the people and community around them. This may be the creation of specific business oriented or community projects, or it may be a focus on certain charitable desires in Canada or around the world. The focus is typically on something bigger than themselves and lasting for several years at a minimum. This may be an ongoing passion to their Rotary Club (or other service club), their faith community or their community club. They have skills and experience they wish to share, but most of all they enjoy the connections with others. The masters believe that retirement is a time when they can remain externally focused, so they can continue to make a difference and leave things better than how they were found.

**Mastery Belief #3: The Masters are forward-looking:** Very few things in the lives of the masters happen by chance. In many instances, the masters believe in the benefits of thoughtfully planning their life 6 to 12 months in advance, or around the seasons of the year. They will typically spend

time reflecting on the past few years and use these thoughts to influence their direction for the next few years. They want to look back on these years with fondness and pleasure, so they wish to ensure that everything they do is purposeful and meaningful. This brings them great joy and satisfaction, while also ensuring that their money is spent only in those areas that are most important to them today. Some will refer to this as having a “bucket list.”

**Mastery Belief #4: The Masters work as a team:** Even though opposites attract, couples who are in alignment work together as a masterful team in retirement. These couples have found over time ways to honour the interests of the other and provide the necessary time and space for each spouse to do what they each want to do. In essence, they support each other in the activities that are of interest to the other while finding activities they can also do together. Needless to say, this is not always easy, but since many of these things simply evolve over time, the masters believe in the importance of making it work.

**Mastery Belief #5: The Masters will quantify the risks and develop a back-up plan:** The masters have learned over their lifetime that unexpected, negative surprises can often be the most disruptive to a joyful, bountiful life. Therefore, they believe that time and attention should be spent identifying and quantifying those risks and then developing a back-up plan. By knowing what the back-up plan will be, and by being comfortable that the back-up plan is reasonably adequate, the masters can then move forward with confidence, and with eyes focused on the horizon. In other words, because the risks have been identified and a back-up plan is now in place, the master is less likely to worry about situations they cannot control.

**Mastery Belief #6: The Masters are detail-oriented:** To build on the previous point, the masters believe the devil is in the details. The masters have learned over their lifetime that the key to their success so far has been their attention to the details. They have learned that their success has come from effort, focus, perseverance and by avoiding disruptive mistakes along the way. Thus, the masters take a hands-on, active interest in their affairs to ensure they understand what is taking place and why different types of recommendations are being considered. The masters will seek advice from others and then size up this advice so as to make their own decisions. The masters are not frivolous with their money, instead they are very purposeful. They recognize the value of a dollar and do all they can to stretch it as far as possible for the greatest possible benefit, for

themselves, their family and / or their community. They know how much their taxes are. They know what their expenses are. They know what they need to make things work and they know how much more money they need to do all the things they want. The masters never use the excuse that something is too difficult or complicated to understand. If they don't understand something, they spend time learning it.

**Mastery Belief #7: The Masters never stop learning:** The masters are those with an enduring appetite for learning and a continuous interest in the world around them. They believe in the power and importance of being naturally inquisitive. They want to understand how things work and why things happen the way they do. While they have their opinions of the world, they are mostly interested in observing the world around them with curiosity and interest as to how things may unfold. Their life experience tells them that the world will evolve and it will change over time, sometimes for the good and sometimes for the bad. They recognize and accept that you can't have the good without the bad and so they take the ebb and flow of life as it comes, with confidence. Many masters will then take these insights and spend time with younger people in their family and their community, helping to transition these great lessons of life to the next generation. As Ben Franklin was quoted as saying, "*when you're finished changing, you're finished.*" The masters are never finished.

These seven beliefs will be reinforced time and again throughout each of the chapters in this book. However, pay particular attention to the themes of each of these chapters as it relates to each of these seven principles. The order below is based on the order of the chapters:

- Chapter 2 (The Great Killers of Wealth) and Chapter 3 (The Principles and Rules to Master Your Retirement) emphasize many of the important details on which to focus (Belief #6).
- Chapters 4 and 5 provide many other important details to consider, but they also emphasize the importance of being forward-looking, anticipating changes before they occur and planning ahead. Chapter 4 introduces the notion of the 5 Phases of Retirement while Chapter 5 illustrates important considerations when you are 7 to 10 years away from retirement. These chapters are great examples of Belief #3: Be Forward-Looking and Belief #6: Be Detail Oriented.
- Chapter 6 and Chapter 8 introduce a process to developing a retirement vision and lifestyle plan for the next 3 to 5 years. These chapters emphasize many of the thoughts found in this chapter as well as 2 above: the importance of being externally focused, Belief

#4: Working as a team and Belief #7: Never stop learning.

- Chapter 7 reviews many of the important details to focus on during the first two years of retirement, but it also emphasizes the importance of not making any major decisions or life changes during these first two years. This is consistent with Belief # 1: Making Gradual Changes Over Longer Periods of Time.
- Chapters 9 through 12 especially reinforce Belief # 5: the importance of identifying future risks and developing a back-up plan. These chapters discuss anticipating inevitable changes to your retirement plan as you age. These chapters also reinforce Belief # 3 (Be Forward-Looking).
- Chapter 14 summarizes steps that can be taken throughout the year to create a masterful plan in retirement. Chapter 14 emphasizes each of the seven Mastery Belief's discussed here in Chapter 1.

When we think of retirement, we typically think of a stress-free life, doing all the things we want to do whenever we want to do them, having money in the bank while receiving a continuous, secure and abundant income that grows with inflation over time. While this type of retirement may happen for some, it certainly does not happen for the majority. As a result, the financial services industry has, time and time again, developed product solutions that are designed to deliver this type of comfort, peace and security. Yet in my experience, these products rarely pan out as desired, which leads me to believe that we cannot financially engineer our way to success and mastery. Instead, we need to begin with the realization that there is no golden solution that will work perfectly for all people in all situations at all times. We also need to realize that neither you nor I can put 20+ years of retirement on autopilot and expect everything to work out. We cannot create one plan today and expect that plan to be the ideal approach each and every year for the next 20+ years. Instead, we always need to review and update our plans each and every year over time.

To review these plans, it is helpful if not even necessary to begin by identifying what it means to live a well-balanced, masterful life in retirement.

- What does this ideal, well balanced, purposeful life look like to you today?
- How much time are you working?
- What type of work are you doing? What type of work do you most enjoy?

- Are you exercising regularly?
- Do you have other activities you enjoy that keep you active?
- How much time will you spend with friends and family?
- How much time will you be travelling?
- Will you be studying a new subject or taking classes to learn a new skill (i.e.: like learning a new language or taking a cooking class)?
- Will you be volunteering your time?
- What activities, events or situations are you most passionate about?

When you have a picture of what a well-balanced, moderate, masterful life looks like for you today, or during a specific phase of your retirement years, then you are more likely to know when your day-to-day has gone off track. Remember, something is only as good as to what you can compare it to. Having a picture of a moderate, masterful life is one of the keys to ensuring that your financial plan is consistent with this ideal life.

You see, when you are clear on the answers to the above questions, then there is also greater clarity on how your financial affairs should be structured, how your taxes can be minimized, how and when you should begin to draw your Canada Pension Plan retirement benefits and how your portfolio should be structured. When you have greater clarity on how your financial affairs should be structured, you will now be able to determine where the risks lie in your plan and what you need to do to protect against these risks. You will also be able to see the extent to which you have a “buffer” to your current plan, so that you can absorb with ease the typical ups and downs that will occur over time. Remember, throughout your retirement you will move through several stages and so how you answer these questions will likely evolve over time. This means that how and when you draw from each different source of income will need to change over time as well.

## **IN SUMMARY**

### **Lessons from the Masters**

To get the results in retirement that you desire, you will need to focus your time and attention on certain things throughout the year, each and every year. But here is the good news. These things don’t take much time, yet the results can be exponential.

It is with this in mind that we reflect on this notion of mastery.

**Those who are mastering his or her retirement today are those who are also mastering their life in their pre-retirement years. Those who are mastering his or her retirement today are those who are focusing their time and attention on the seven Belief's of Mastery described earlier in this chapter.**

The rest of this book will explore these seven areas in more detail.

### **Things You Need to Know**

- Most people will transition into retirement gradually over time.
- Your life up to now has always consisted of a series of stages or phases. Your life going forward will continue to be a series of stages and phases.
- The best plans are those that are 3 to 5 years at a time.
- Life is a cumulative journey of experiences, relationships and learning. The most successful masters in retirement are those who continue to accumulate and grow in each of these areas.

### **Questions You Need to Ask**

- Do you relate to the seven core beliefs unique to those who are mastering their retirement today?
- Which of the seven beliefs do you relate to the most and why?
- Which of the seven beliefs are most concerning to you and why?
- Are your expectations about retirement, or the next phase of your retirement years, realistic?

Before you begin your journey of mastery, it is important to identify the areas in this chapter that you may disagree with or have further questions about. These may be roadblocks to your success.

### **Things You Need to Do**

- Define what a well-balanced, meaningful life looks like to you. Create a weekly, monthly and seasonal schedule of your activities and events and then reflect on how this schedule makes you feel.

- Compare these notes with how you are living your life today. Are you living a hectic life of extremes? If so, what would you change so that you could move closer to your “benchmark lifestyle” defined above?
- Prepare a game plan for the next 2 to 4 years that will help you gradually move out of the extreme activities you find yourself in today and move toward your ideal, balanced lifestyle.
- Identify the risks associated with your current and ideal plan.
- Identify a “buffer” so that you know what your game plan is if things don’t work out as planned.

Your buffer should consist of both income and capital. Ideally, you will have slightly more income each month than what you really need. Ideally you will have back up pools of money that you can draw on in an emergency.

### **Decisions You Need to Make**

- Are you prepared to spend a modest amount of time focusing on the details of your own financial affairs or would you prefer to put your financial plan on auto-pilot?
- Are you prepared to create a forward-looking lifestyle plan that you can be excited about?
- Are you prepared to spend some time thinking about the “definite major purpose” of your life over the next 3 to 5 years?

### **MASTERY PRINCIPLE:**

A masterful retirement is a purposeful and focused retirement. Yet a masterful retirement is really just an extension, and another phase, of a masterful life. A masterful life is based on a “definite major purpose” that is backed up by the “deliberate practice” of important strategies (as we will discuss throughout this book).