

AUGUST 2017

Money Wise Magazine

Why & When We Retire

Whether it's a certain age, a certain amount of savings, or a certain incentive package, retirement plans vary for everyone

Market Watch from Our Team

Commentary from our team on the markets, currency, and the recent interest rate hike

Points can Pay off!

Those points and rewards programs can provide a boost to your cash flow if planned properly

The Top 3 Worries about Retirement

Health and Finances top the list of worries

Canadians Dipping into RRSPs Early

Are you spending your retirement savings just to make ends meet?



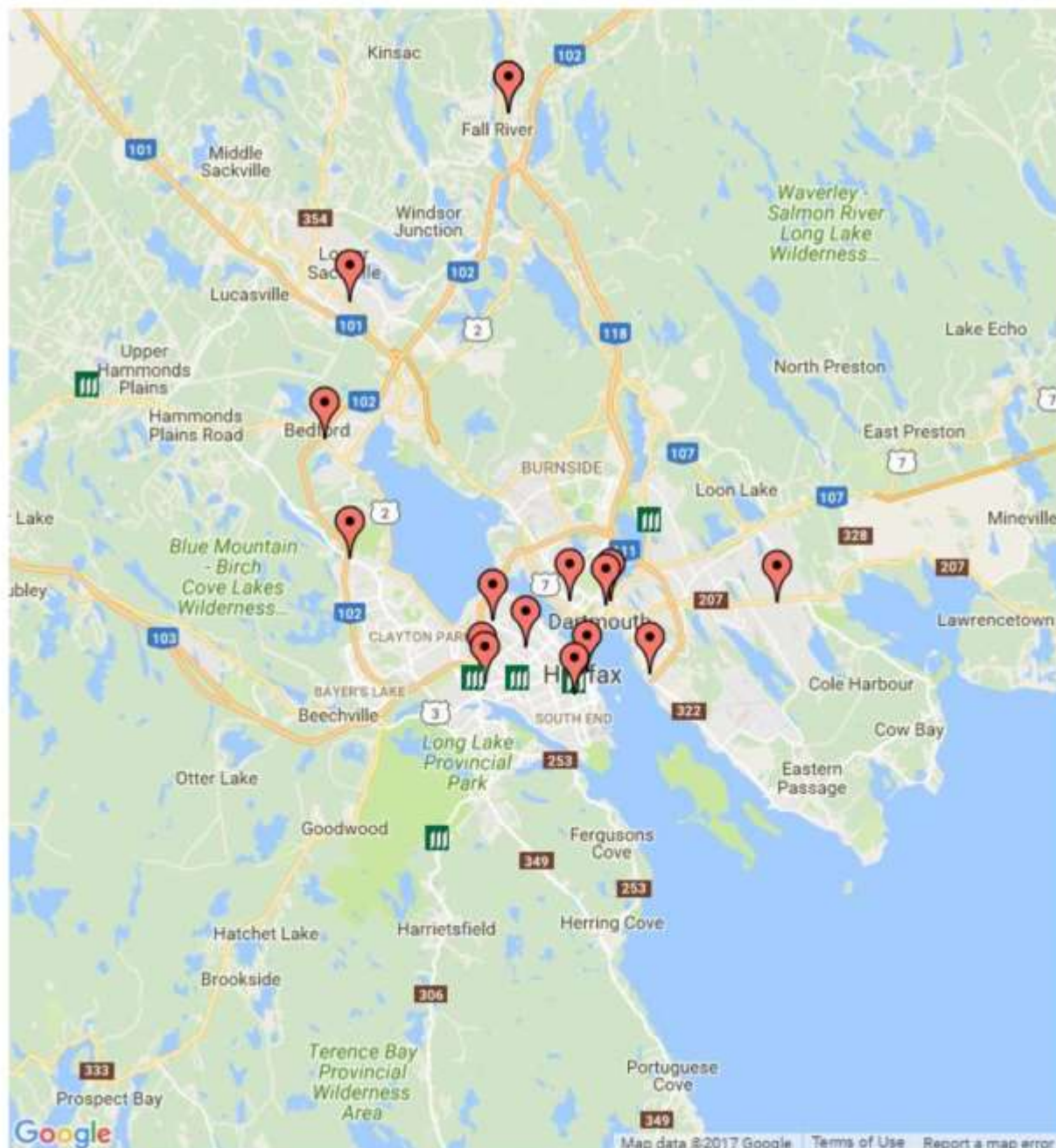
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QUADRUS

Quadrus Investment Services Ltd.

Manulife Bank has expanded their ABM service locations to include some Circle K stores (Irving). In addition to access via Credit Unions and CUAs, more ABM locations allow you access to your Manulife Bank account on the go.

Go to manulifebank.ca to find the location nearest you.



In this Issue...

Happy belated birthday Canada! And a Happy Natal Day to our Nova Scotian clients! We all hope you are having a great summer so far. Let's cross our fingers that there is more fun in the sun to come for all of us before the kids (and some of you) head back to school in September.

Speaking of... don't forget to make your RESP withdrawals before tuition is due!

This time of year certainly is a good one to fantasize about the day you can finally hang up your work clothes for retirement. Whether you dream of travelling the world, spending time with your family, or even starting a new "post-retirement career", it's a period of our lives most can look forward to.

Fidelity Investments conducted a survey that assessed Canadians opinions and positions on just that: why and when Canadians retire. Rick reviewed the results of this survey in this edition of our newsletter and provides some highlights that shed light on Canadians attitudes and expectations.

In another article from Empire Life, we explore Canadians worries about retirement, from personal health to their family's financial situation. While retiring with debt is not ideal, it is the reality for many Canadians.

Some Canadians even feel the need to withdraw from their RRSPs *before* retirement. I take a look at the reasons these withdrawals are made, and the cases in which these withdrawals are actually in good planning sense (which can sometimes be the case!).

Unfortunately, many Canadians make RRSP withdrawals just to make

ends meet. Sometimes proper budgeting is all that it takes to avoid dipping into your savings when you need a few extra dollars. One money-saving strategy is to use coupons and retail rewards to save money on your everyday purchases. Melissa covers the benefits of these sorts of programs in her article.

If after perusing this newsletter you feel a conversation with your trusty financial planner is in order, give us a call! An experienced ear is sometimes all you need to alleviate your worries about retirement.

Natalie LeBlanc
Marketing Assistant



Market Watch

Fluctuations in the Canadian dollar made for an interesting 2nd quarter of 2017 for Canadian investors. While global events and policies south of the border play out, the effects of these on the stock markets (and potentially your investment returns) has been adjusted by the rise of the Canadian dollar against the USD following the interest rate increase.



Rick Irwin, CFP, CLU
Financial Planner,
Investment Representative

In like a lion, out like a lamb: an apt description of financial markets during the second quarter of 2017. Most stock markets around the world registered healthy gains early in April/May before moderating in June, reflecting steady global economic growth and generally supportive business conditions. The MSCI World Index, a benchmark that represents the performance of large and medium sized companies across 23 developed market countries, was up 4.2% for the quarter and 11% for the year, in US dollars. For Canadian investors, however, gains in global markets were muted by our dollar's strength

against a number of other major currencies, including the US dollar. In

Canadian dollar terms, the US market, as measured by the S&P 500, was only up 0.5% for the quarter, and the MSCI World, only 1.6%. One big reason for the currency gain was the somewhat unexpected announcement by the Bank of Canada to begin raising interest rates, despite latent risk in the red-hot housing markets of Toronto and Vancouver.

At the mid-way point in the year, markets have tempered their enthusiasm for potential positives to come from the pro-business agenda of the new US Republican administration, but they have also reduced their anxiety over negatives due to European politics (the

ongoing fallout for Brexit and a possible negative outcome for the French election). The definitive victory in France of Emmanuel Macron, a centrist and supporter of the Eurozone and a potential new leader for Europe, should not be underestimated in significance, especially at a time when many major developed nations (i.e. Britain, the US) were delving to the right and to more nationalist, anti trade, policies that would have adversely affect market conditions.

While Canadians celebrated the 150th birthday of our nation, the party did not extend to the Canadian stock market, which notably lagged most other developed markets with a decline of 1.6% during the quarter. This drop was due to weaker oil prices, nervousness about



Canadian banks' vulnerability and investor sentiment that was dampened by trade-related issues with the US.

Given this backdrop, globally diversified Canadian investors had a relatively lackluster quarter return-wise... but it's important to recognize that the disruptive

role that currency swings can have in the short term are just that: short term in nature. Overall, conditions are quite favorable for continued growth globally and it's quite possible to expect further gains for the balance of the year.

As always, regardless of the short-term moves that the markets may take, it is important to keep in mind your investment strategy, which is based on your individual tolerance for risk and long term financial goals.



Melissa Allan
Investment Representative

In the last newsletter, I indicated currency was a market concern which is a subject that has come up a lot with clients this past month. Most recently, the Bank of

Canada raised the interest rates for the first time in 7 years to $\frac{3}{4}$ of a percent on July 12th and this has likely impacted your investment portfolio. The dollar rose for weeks leading up to this rate hike. When our Canadian dollar rises, the market value of U.S. and global investments tend to go down: us Canadian

investors purchase these investments using Canadian dollars but the fund managers convert our dollars to U.S. currency which lowers their value when the dollar is doing well.

Why and When Canadians Retire

Fidelity Investments conducted a survey on Canadian's approach to retirement, which highlighted anticipated sources of income, when to retire, and the popularity of working during retirement. While many Canadians have an ideal time to retire in mind, the reality doesn't always pan out according to plan.

"The question isn't at what age I want to retire, it's at what income." George Foreman

For many individuals, there are probably fewer things in life as long-anticipated as finally being able to retire; yet specific planning that would ensure that there will be sufficient financial resources available for a comfortable and sustainable lifetime of retirement is often unspecific or missed altogether.

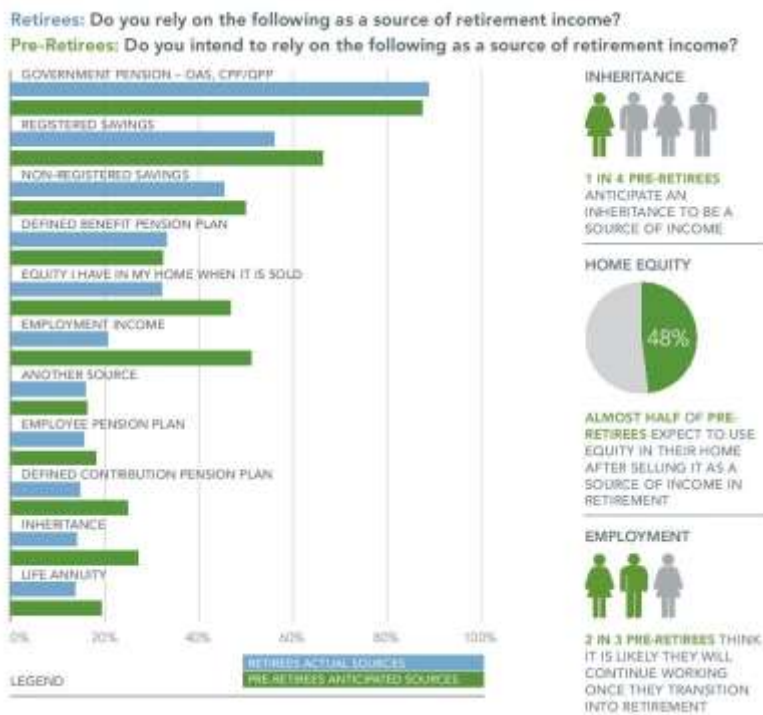
Survey Findings

In March of this year Fidelity Canada conducted its 12th annual Retirement Survey. It contained some interesting findings about the various income sources pre-retirees (those nearing retirement or retired from their career job but still working) expect to draw on in their retirement years, among them being:

- 1 in 4 pre-retirees anticipate an inheritance to provide part of their income in retirement
- 48% of pre-retirees expect to sell their home in retirement and use the

equity to help fund retirement lifestyle goals

- Less than 60% of retirees have RSPs or other Registered plans to draw on



Reliance on Pension Plans

The findings revealed that pension plans are still a very important cornerstone of retirement income for Canadians; about 60% of retirees will have some form of pension plan that will help finance their golden years. Of those with employer pension plans, more than half were formula-based defined benefit (DB) plans (no data was available for what percentage of those plans are expected to be indexed to inflation versus not indexed or only conditionally adjusted for inflation), and the remainder were variable stock market-based plans.

A “Working Retirement”

While many may dream of the day they can hang up the suit or uniform permanently, for others retirement is not synonymous with no longer working. Fidelity’s study found that 2 in 3 pre-retirees plan to continue working as they transition into retirement and 1 in 3 retirees indicated that they plan to work at some point during their retirement. The top reasons for working in retirement were:

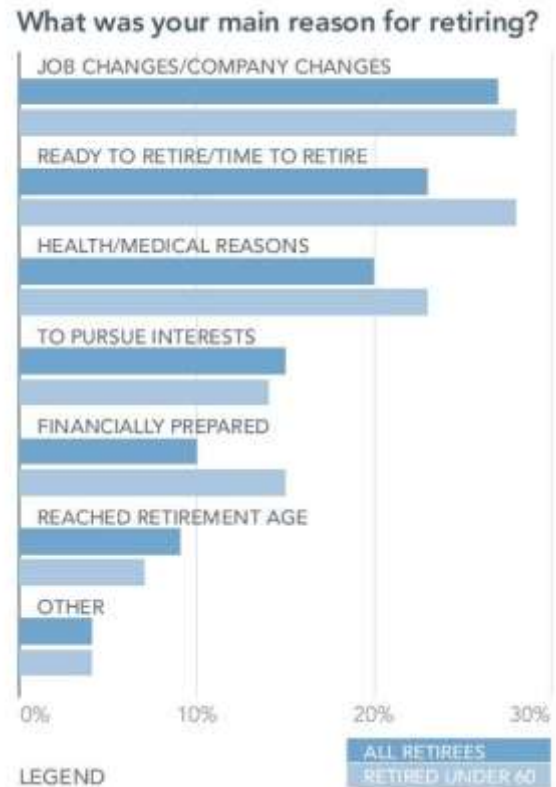
- 55% keeping mentally and/or physically healthy
- 51% for financial reasons

- 38% said that it gave them a sense of purpose and/or kept them busy.

There is an almost even split between the “working because they have to” group and the “working because they want to” group. With proper preparation, including a well laid out retirement plan, you can choose to be the retiree who decides to spend a few days a week hanging out in the tool corral at Home Depot, for example, to earn a little mad money versus those that need to continue to work as their pensions and retirement funds are not sufficient to support them.

Top reasons for Retiring

The study also listed the top reasons that individuals ending up retiring. Only 10% of retirees listed feeling “financially prepared” as the main reason they retired. In almost 30% of the cases it was due to job changes or company changes and over 20% of the time was due to health or medical reasons. Nearly 30% listed the main reason for retiring as being “they reached retirement age”



or “were ready to retire/it was time to retire.”

The financial path you take to save for retirement, the date at which you retire and ultimately the reason you end up retiring will be quite unique for everyone, as will be the activities you plan to do in retirement. A financial advisor can help ensure you are on track for a comfortable, sustainable retirement that includes both a lifestyle you can enjoy and the financial position to fund it.

Rick Irwin, CFP, CLU
Financial Planner,
Investment Representative



Source: “The 2017 Fidelity Retirement Survey Report.” Fidelity Investments. <https://www.fidelity.ca/cs/Satellite/doc/retirement2020.pdf>

Points Can Pay Off

Many major retailers across Canada participate in points programs that reward frequent shoppers. Some even have developed their own programs that can help save you money, put you in the running for prizes, or both! Crafting your shopping list around these promotions can really benefit your cash flow, sometimes sooner than you think.

Smartphone apps are the new coupons... but so much better!

I must admit, I LOVE points. My husband and I flew my parents from Newfoundland to Ontario last year to watch our kids while we spent a week in the Canadian Rockies to celebrate our anniversary. The 4 flights were free through Air Miles... apart from taxes of course but still a great deal! Like myself, many people put daily expenses on their credit card to accumulate points. The trick is paying your balance off each month so interest charges don't accumulate.

There's an app for that

This past year, however, I discovered the benefit of downloading apps for point collection! My personal two favorites are Shopper's Drug Mart and the PC Plus Loyalty programs. Daily trips to the grocery store make it very satisfying when I can redeem points. This past year I redeemed \$300 worth of free

groceries! I used to use the plastic card but the app literally quadrupled my points. My offers are tailored to the products I purchase each week and every couple of months I often get a "spend \$125 in one purchase and get 10,000 points offer". With two growing boys at home, this isn't hard to achieve. With this program 10,000 point = \$10.00.

I echo these thoughts for Shopper's. Since downloading the app I have accumulated way more points than the plastic optimum card has given me. Personally, I am saving my points for Christmas gifts and stocking stuffers.

Benefits for everyone

The other day as I saw a young University student in the line at the craft store Michaels paying full price for a product. I asked him if he had the 50% off a regular priced product coupon to use

and he didn't know about this so I gave my phone to the cashier to scan for him and saved him roughly \$40. He was amazed and told me I made his day which made me feel good. I know my husband would never scan his phone to save money and therefore I do the shopping in our house!

Yes, in some way we all pay for these loyalty programs and the cost of these programs is built into the products we use every day but you're going to pay this price either way so you may as well accumulate the points. Most people have their phones handy when shopping so I do encourage you to download a few apps to the stores you visit frequently and check out their points programs. Save money when you can and have fun cashing in the offers!

Melissa Allan
Investment Representative



Canadians Top 3 Worries About Retirement

What are your top concerns about retiring? Chances are you share those concerns with other Canadians like yourself. It's impossible to perfectly plan for the future with so many variables, but Peter Wouters of Empire Life draws a connection between financial and health concerns.

Retirees have three dominant concerns:

1. Outliving their money
2. Spending it all on long term care
3. Being a burden on their families (physical care-giving and financial support)

The following statistics point out some financial impacts of health impairment events.

- 4/10 Canadian who have had a serious health event

or diagnosis experienced financial hardship¹

- 56% of them used credit cards, lines of credit, personal savings, family or mortgaged homes to pay for it¹
- 13% of Canadian have set aside money for healthcare²

The level of care, the amount of care and the quality of that care hinges on the ability to pay for it. Comprehensive retirement income planning incorporates health risk management to:

- Reduce or eliminate the use of personal assets and income to pay for health-related risks like a critical illness or long term care when it happens.

- Protect the standard of living for both the client and the caregiver. Both parties want to preserve their dignity and their lifestyle.
- Consider how to replace capital that is used to provide cash and income to fund health care costs for survivors, children and favourite causes. This is really part of wealth transfer and you can see how the two are interconnected.

Capital preservation is a key goal of retirement planning. If capital is needed to fund extra cash and income needs, what plans are in place to replace that capital for legacies and final liabilities?

Courtesy of Peter Wouters,
Empire Life



¹ Source: 2013 SunLife Canadian Health Index

² Source: Guide to Long Term Care Insurance, CLHIA 2012

More & More Canadians Dipping into RRSPs Early

The second “R” in RRSP may stand for “Retirement,” but that’s not stopping a whopping 38% of Canadians from making withdrawals before they retire.

Number and Amount of RRSP withdrawals up over 2015

BMO commissioned a survey of Canadians in December 2016 that found an increase in the number of Canadians who dip into RRSPs early, from 34% in 2015 to 38% in 2016. What is disheartening is that almost half of those withdrawals were done to manage living expenses or debt. While your RRSP should be one of the last considerations to pay your bills, clearly many Canadians are finding it necessary to tap into their retirement nest egg just to make ends meet.

Atlantic Canada Tops the List

Even more discouraging for us is that the highest amount of withdrawals took place in the Atlantic Provinces, with 45% making a withdrawal. The average amount of that

withdrawal was also the highest in Canada, at \$25,485.

We can only speculate as to the reason so many Atlantic Canadians feel the need to eat away at their retirement funds. Whether it’s due to debt, long term unemployment, a more recent job loss or demotion, or other cash flow problems, clearly day-to-day expenses are too high compared to regular income for almost half of those making RRSP withdrawals.

When RRSP withdrawals can be good

There are more positive reasons to make an RRSP withdrawal, however. Of those surveyed, 30% make their withdrawal under the Home Buyers Plan to buy a house. These withdrawals aren’t taxed (however you do have to pay yourself back)

and help achieve two big financial goals: home ownership & maintaining your retirement nest egg.

Another RRSP withdrawal program not mentioned in the survey results is the Lifelong Learning Plan, which allows you (or your spouse) to borrow up to \$20,000 from your RRSP to fund post-secondary education. Under the LLP, you pay yourself back under similar conditions as the Home Buyers Plan.

If you are nearing the need to make an RRSP withdrawal just to make ends meet, speak with one of our advisors about managing your cash flow or other options that may be available.

Natalie LeBlanc
Marketing Assistant



Sources: vans, Pete. "38% of Canadians dip into RRSPs early, BMO survey suggests." CBC. <http://www.cbc.ca/news/business/rrsp-bmo-poll-1.3971964>
"BMO Annual RRSP Study: Canadians Using RRSPs to Fund Everyday Expenses and Debt Repayment." <https://newsroom.bmo.com/index.php?s=2429&item=129091>



The latest Manulife Bank Homeowner Debt Survey has uncovered the truth:

Many Canadian homeowners, particularly Millennials, lack the financial flexibility to adjust to rising interest rates, unforeseen expenses or interruption in their income.



WHO ISN'T PREPARED FOR THE UNEXPECTED?

NO emergency savings:



MILLENNIALS	25%
GENERATION X	23%
BOOMERS	16%



Nearly
1 in 4
were "caught short"
paying bills at least once
in the last 12 months

MILLENNIALS	32%
GENERATION X	28%
BOOMERS	17%

HALF have \$5,000 or less
in emergency savings
set aside

MORTGAGE DEBT FACTS

Among those
who **aren't**
mortgage-free,
Millennials owe
the most



MILLENNIALS
\$223K



GENERATION X
\$202K



Boomers
\$180K

70% UNABLE TO MANAGE A 10% INCREASE IN THEIR MORTGAGE PAYMENTS



Who would **struggle** to make a mortgage
payment within 3 months if a primary
wage-earner lost their job?

MILLENNIALS	45%
GENERATION X	40%
BOOMERS	32%

HELP NEEDED TO BUY A HOME



Almost half of Millennials received help
from family to buy their first home – higher
than either Boomers or Gen Xers with their
first home purchases

MILLENNIALS	45%
GENERATION X	37%
BOOMERS	31%

Prepare for the unexpected. Visit manulifeone.ca

 **Manulife Bank**

The Manulife Bank of Canada poll surveyed 2,088 Canadian homeowners in all provinces between ages 20 and 59 with household income of more than \$30,000. The survey was conducted online by Nielsen between February 1st and 14th, 2017. National results were weighted by province, income and age. Manulife, Manulife Bank and the Block Design are trademarks of The Manufacturers Life Insurance Company and are used by it, and by its affiliates under license.

CS5375E 05/17



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