Fee Only / Advice Only Financial Planner

Merrick Financial Inc.

Unbiased, professional and straight forward financial advice!

Merrick Financial
Fee-Only Financial Planner

Retirement Planning - Case Study

The Situation

The clients', Bill and Taelor, a married couple both age 58, have worked hard all of their lives and built up substantial assets. They are wondering if they can retire when they reach 65 and how much they can approximately spend each year along with helping their children get into the real estate market next year. In working with Merrick Financial inc. they come up with 2 x scenarios:

1. They want to get a realistic assessment of their possible future level of sustainable spending when they reach 65
2. Requested a second scenario to see if they can retire any earlier (hopefully 62?)
3. They want to know what they should be doing from now until retirement to further their goals.

Business and Personal Assets

Principal residence	$1,200,000
RRSP combined	$1,350,000
TFSA combined	$112,000
Non-registered assets	$400,000
Cash	$185,000
Total Net Assets	$3,247,000

Goals

1. When can we financially retire?
2. How much can we spend a year in retirement?
3. How do we do #1 and #2 tax efficiently?
4. Can we afford to help our kids get into the housing market next year?

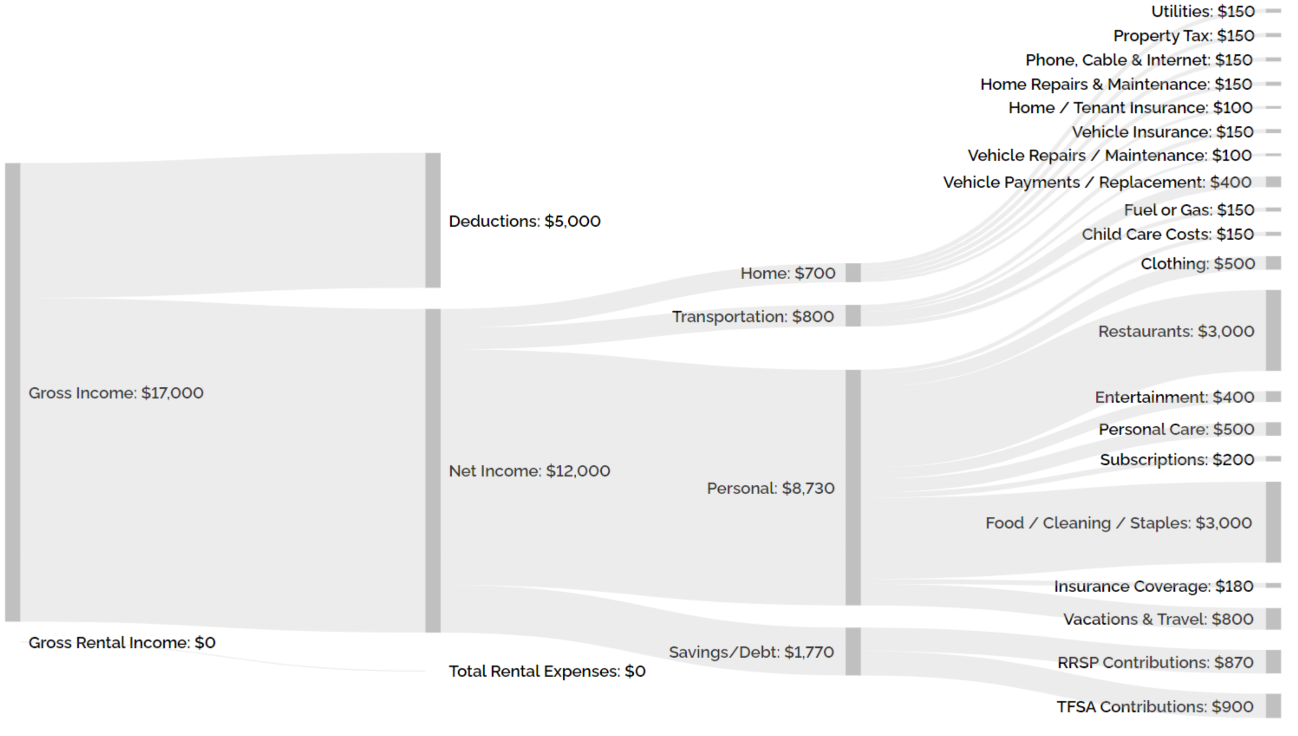
5. How do we tax efficiently pass along our assets to our kids? What are my estate taxes and probate fees likely to be and how do we minimize them?
6. They have questions about when to start their CPP, OAS and RRIF's. Can we avoid OAS clawback?

What follows is a very quick snapshot of the financial planning process as it excludes many parts of the process. Every client's situation is different and this is for illustrative purposes only:

The Plan

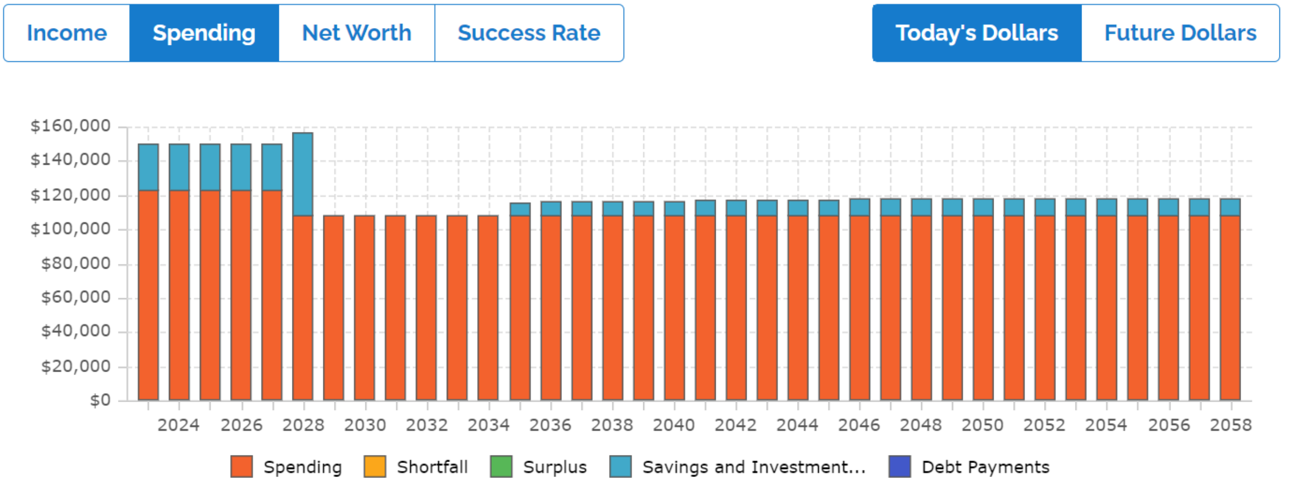
Cash Flow

This is broken down into two main categories - from now until retirement and from retirement onwards. Retirement is further broken down into the 3 different phases that are typical for spending.



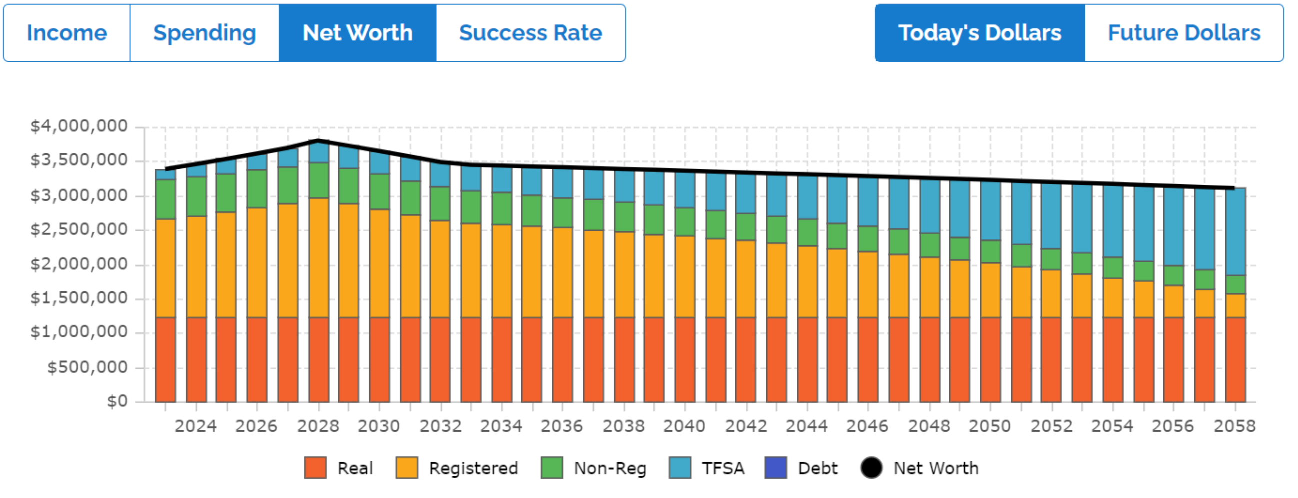
Spending

We can see that when they are required to take their RRIF income, along with their CPP and OAS, they are generating a yearly cash flow surplus in this scenario. Perhaps they could increase their spending?



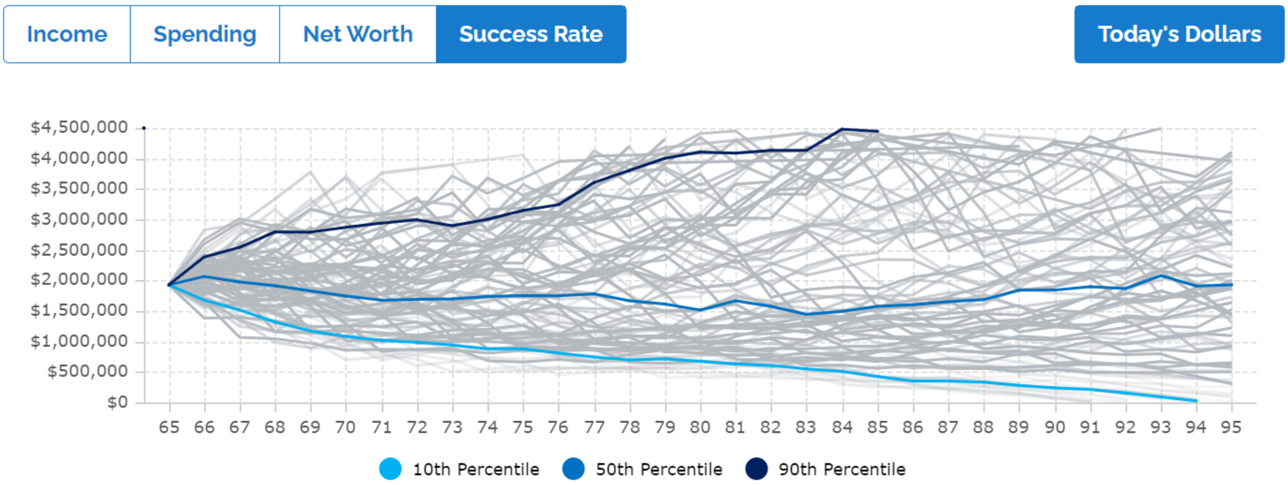
Net Worth

The chart below is the net worth of the family over their expected lifetimes. It shows a drawdown of assets and leads to a suggestion of which assets should be spent first. After a series of video calls a detailed set of financial projections is given to the client along with an action based written report to be implemented.



Success Rate

Our software runs many different scenarios and a success rate and margin of safety are offered. If the rate is too low we have a discussion about how to increase it with a view to the overall plan.



Recommendations

1. Retirement at 65 is achievable with the same level of household spending they do now. A large payment can be made to their children next year. An earlier retirement does not have a large enough “margin of safety” right now.
2. We have optimized the withdrawal of funds in the most tax efficient way. Starting with the non registered accounts first and moving to their RRIF. There is a detailed explanation of income splitting strategies that apply.
3. A substantial estate is also going to be left to their children, per their wishes. We go over the optimal way to do this and confirm the ways of minimizing the possible OAS clawback.
4. We provide advice on when to start their CPP, OAS and RRIF.
5. We conduct a review of their investments to make sure they are ideally suited to their "near retirement" situation. General investment advice is given here.

Result

1. Peace of mind knowing that they can achieve all of their goals. They also have financial flexibility to increase spending if desired, give more money to their children or have enough if an emergency strikes.
2. Confirmation that they can live in “comfort and security” in retirement.

Let us know what you want to improve from your current financial situation.

Click Here to Book a Free Initial Consultation

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