LIVING IN
Retirement
December 2018
SEVENTH-DAY ADVENTIST CHURCH RETIREMENT PLAN FOR CANADIAN EMPLOYEES

TAKE CONTROL OF YOUR FINANCES

This issue of *Living in Retirement* shares tips to help you make your savings last in your retirement. Keep reading to understand investment fees and their long-term impact on your portfolio. You'll also learn how to reduce your debt for a healthy financial future. Plus, you can find out more about how to budget for healthcare and to improve your wellbeing.

Making sure your money lasts

Investment fees can make a difference over the long term

Keeping your retirement money in a bank account or in Government Investment Certificates (GICs) may be *safe*, but this approach likely won't provide returns that keep up with inflation. Many Canadians work with a financial planner to invest their savings in a variety of asset classes, so they continue to build their wealth during their retirement years. Financial institutions typically charge fees for managing these investments. Over time, these fees can have a significant impact on your wealth so it's important to understand the different types of fees and the effect they can have on your returns.

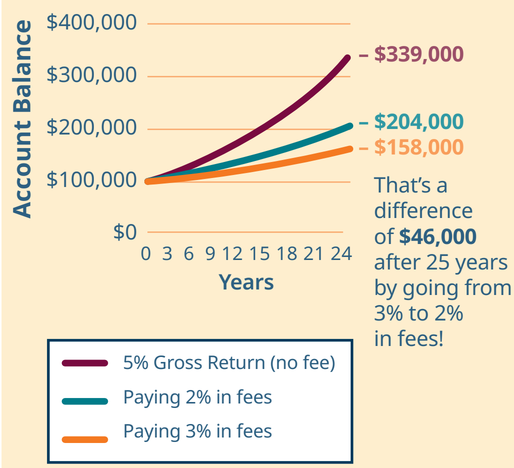
What are investment fees? Investing has a cost. To monitor and maximize the performance of your investments, fund managers charge different fees usually linked with the management method (passive or active) and the level of risk/reward of the type of fund you choose. For instance, investment fees for passively managed funds tend to be lower than for actively managed funds (see the sidebar on the left).

Why reducing your fees matters. It's important to understand your net return. For example, if the gross return of a fund (the amount your investments earn) is 5%, but you are paying 3% in fees, your net return is closer to 2%, which might not be enough to beat inflation. In addition, fees can have a major impact on your investment portfolio over time. The more you pay in fees, the less you'll have to reinvest and grow over time. Of course, it is often the goal that higher fees will result in a higher net return — but there are no guarantees this will be the case.

The graph below shows how the value of a $100,000 portfolio earning 5% in gross returns changes over 25 years, with an annual 3% fee compared to a 2% fee. That's $46,000 (**29%!**) more money you could have over time when you reduce your fees by only 1%!

What's next? The investment marketplace is competitive — fees vary widely by both institution and investment type. Ask about the fees you are paying now and select the appropriate investment provider. Build an investment program with partners that fit your financial goals. To find an independent financial advisor, visit www.fpsc.ca.

Growth of $100,000 at 5% compounded annual return over 25 years



Your personal results will vary.

Fund manager types

Active fund managers pay close attention to financial markets and use research to help them determine how to invest your money. Their goal is to *beat the market*, but this is often a more risky approach to investing and they usually charge higher fees for this service.

Passive fund managers are also known as *index fund* managers because they invest your money in a portfolio that tracks a particular stock market index, such as the S&P TSX Composite Index. Exchange-traded funds (ETFs) are examples of index funds.

Find a financial planner

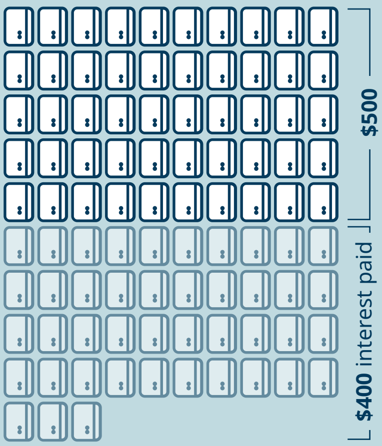
Effective financial planning can help ensure you are making good financial decisions to support your retirement.

Visit the Financial Planning Standards Council at www.fpsc.ca to learn more about investing and to choose a certified financial planner.

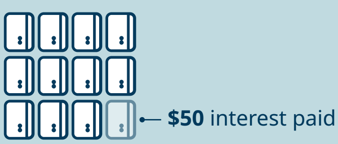
Did you know?

If you spend **$500** on a credit card that charges 18% interest per year...

It will take you more than **7 years** to pay it off if you make the **minimum $10 payment** each month... and you will pay more than **$400 in interest!**



If you pay **$50** each month, you will be able to pay off your debt in about **a year** and pay about **$50 in interest**.



If you pay **$100** each month, you will only need to make 6 payments and pay **$20 in interest**.

Better yet: Only buy what you can afford at the time. If you pay your credit card in full when due, you pay **no interest**. That's like an interest-free loan for a month!

Four tips to live debt-free in retirement

Did you know not all debt is necessarily bad? There's *good debt*, like taking a loan to buy a home to live in. *Bad debt*, on the other hand, typically relates to high interest credit card payments for non-essential products or services that cost more than you can afford.

As a retiree, your good debt has likely been repaid. But also as a retiree, it is important to manage your remaining debt — the more interest you pay on your debt, the less money you'll have to spend on your day-to-day expenses. Here are four tips to help you reduce, or eliminate, your bad debt:

1 Live within your means.

Make sure you understand how much money you have to spend each month. If you can't afford something, consider alternatives. Does it need to be an expensive brand name? Is it a *nice to have* or a *need to have* item? If you do use a credit card, try to pay it in full each month to avoid high interest or penalties.

2 If you have debt, pay off high interest items first.

High interest debts can grow quickly. Look at the interest rate, not the dollar value, of what you are paying. For example, putting an extra $500 toward a credit card that charges 18% interest will save you a lot more money in the long run, compared to putting the same amount toward a car loan with a 4% interest rate. Make a list of all your debts and the interest rate you are being charged so you can put any extra money toward the highest interest items.

3 Consolidate your debt.

Consider paying off your higher interest items, like credit card and store card balances by using a personal line of credit (which is often less than 5% in today's market). Some credit cards also offer a 0% or 1% promotion to pay off your debt... but be careful, as these are usually short term incentives that revert back to higher interest rates in the future. It's important that once you consolidate your debt to the lowest total interest available, you do your best to pay as much off as possible every month.

4 Get financial advice.

A credit counselor or financial advisor can help you understand and manage your debt. If your spouse is working, he or she might have access to an *employee assistance program* (EAP) where you can access these services at no charge to you; otherwise, fees may apply.

Budgeting for healthcare expenses

Even with the support of public or private insurance, your healthcare expenses will usually increase as you age. Be prepared by budgeting for your healthcare costs so you can manage your expenses.

1 Add up fixed payments and routine costs.

Start by calculating what you are paying on a regular basis. This includes your health insurance premiums as well as your routine, out-of-pocket expenses (e.g., prescriptions, dental care, vitamins, etc.).

2 Set money aside for emergencies.

For bigger and less predictable out-of-pocket costs your insurance might not completely cover, we recommended building an emergency fund.

3 Be a smart consumer.

Shop around for services! The price pharmacies charge to dispense your prescription varies by company. Speaking of dispensing fees... if you order a three-month supply of medication, you only pay one dispensing fee instead of three (if ordered monthly). Switching to generic prescription drugs (which have the same active ingredients as their brand name counterparts) will also save you money.

4 Keep up to date.

Stay informed about the new ways to cut expenses and don't cut back on preventive care, as it is still the best way to prevent chronic diseases and other costly treatments. Health Canada has a website with access to great health and wellbeing tips for seniors at www.tinyurl.com/CanadianSeniorTips.

Did you know?

Setting up a power of attorney

Sometimes people need others to make decisions and act on their behalf if they're unable to do so. When you sign a power of attorney (POA), you delegate these rights to someone you trust to act in your best interests. You are able to specify the level of authority your agent may exercise (e.g., financial affairs, medical decisions, etc.). Learn more about the different types of POA and decide what's right for you and your loved one by visiting www.tinyurl.com/CanadaPOA.

Free online financial tools

Want to compare credit card features, find the right bank services for your needs, calculate your potential retirement income and more? Check out these great free online tools provided by the Government of Canada at www.tinyurl.com/CanadaFinanceTools.

Reminder

Planning to go abroad?

It is strongly recommended that you consider the purchase of an emergency travel medical insurance to protect you in the event you incur emergency medical expenses outside the province or country.

As part of your Post-Retirement Benefit Plan, the Church may cover a portion of your premiums for the purchase of an individual emergency medical travel policy. Contact Health Benefits Administration at healthbenefits@adventist.ca or 1-800-263-7868 to confirm your coverage amount.

Special discounts just for seniors

Being a retiree comes with its perks! After age 55, you become eligible for a wide range of discounts. Not sure if your local retailer offers senior discounts? Just ask! You may be surprised about the savings you'll get and how they can add up.

To get you started, here are a few large organizations that offer discounts* for seniors:

Pharmacies

Shoppers Drug Mart/Pharmaprix - 65+ (with optimum card (free))

- Receive a 20% discount on eligible items
- Senior discount day is once a month — usually the last Thursday

Entertainment/shopping

Toronto Symphony Orchestra - 65+

- Discounts available for most weekday series
- 40% off most performances for CARP members

The Bay - 60+

- 15% of savings on the first Tuesday of every month

Transportation

Your local transit authority

- Some areas offer lower costs for seniors for bus/subway rides and passes. *Make sure to get informed!*

Greyhound - 62+

- 20% off on unrestricted passenger fares

VIA Rail - 60+

- 10% off your train ride

Grocery Stores/restaurant

Bulk Barn - 65+

- Every Wednesday, get 10% off your total purchase

Michael's - 55+

- 10% off on regular and sale-priced purchases everyday

Goodlife Fitness - 65+

- $4 off the bi-weekly ultimate membership

You can start taking advantage of these discounts right away. Some can help you save money on your routine expenses while others might give you the opportunity to discover new activities, which can be beneficial for your mental and physical health. Finally, if you aren't already enrolled, you can also join the Canadian Association of Retired Persons (CARP). CARP promotes and protects your rights as an aging Canadian, and offers multiple resources and benefits in diverse sectors to its members and spouses, at an affordable price. Visit http://www.carp.ca/ to know more.

**Discount availability and eligibility terms may change and some conditions may apply. Please contact your local store or provider for details. You may need to bring government-issued ID to prove your eligibility for these programs.*

What do you think?

If you have any comments or suggestions about this newsletter, contact us:

- Marilyn Pazitka, Director, (905) 433-0011, ext. 2071, pazitka.marilyn@adventist.ca
- Charisma Hodgins, Retirement Specialist, (905) 433-0011, ext. 2070, hodgins.charisma@adventist.ca

Please visit

www.adventist.ca/retirement for more information.

We appreciate your feedback!