Reflections

Message from the Editor

How can you manage your investments as you move into & through retirement so that they provide you with the kind of income you want to have throughout your retirement? Check out Malcolm Fletcher's article. ☞

If you are going to be heading into retirement as a single person, what special steps do you need to take? Sarah Bercier's article on flying solo into retirement covers some of the key issues of importance. Even if you aren't single right now, some of these issues may be important for you to consider, should you become single in retirement.

Nancy Conroy, Editor

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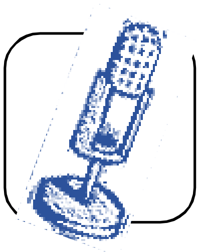

The Experts Speak........

Investment Portfolio: *As Time Goes By*

For an investment portfolio to be properly designed, it has to be based on the investor's time horizon. In the 1960's, most workers retired at age 65, then died only a few years later. With such a short investment horizon, guaranteed term investments (GIC's) would have been very suitable for such individuals, as their relatively short life expectancy meant little risk of running out of capital in retirement.

Fast forward to the new millennium though, and most workers plan to retire before 65. Furthermore, life expectancies have increased over the past 40 years and this trend is expected to continue. Someone retiring at 65 should adopt an investment portfolio strategy suitable for at least 20 years, if not longer, assuming we agree it's impossible to arrange our affairs to spend our last dollar the day before we die!

Indeed, we anticipate that many reading this article plan to retire in their 50's, in which case their investment time horizon is likely a minimum of 25 years. This being the case, it continues to be important to maintain a well-diversified portfolio into retirement – one that spans several key asset classes, for example GIC's + government bonds + corporate bonds + Canadian large and small company stocks + foreign large and small company stocks.

It's natural for many investors to become more conservative, i.e. risk averse, as they age. Indeed, many people fear negative returns more than they did when they were younger, perhaps wondering if they'll live long enough for markets to rebound! By all means acknowledge your feelings, and consider them when setting the optimum asset mix for your retirement portfolio. But remember that your investment nest egg will have to last for two, three or more decades (remember that aunt and uncle who are still gardening in their 90's?). Therefore, be cautious about trying to "play it safe" by moving too much of your portfolio into "no-risk" GIC's and bonds (that currently yield only 2 to 5%). A properly diversified portfolio will provide a higher long-run rate of return, thereby reducing the risk of depleting your capital too quickly. A recent U.S. study indicated that a retiree withdrawing a modest 5% per year ran a high risk of depleting his or her capital if (s)he had less than 60% exposure to stocks.

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Question Corner: Are You Going to be Single in Retirement?

The Statistics

Did you know that 43%* of Canada's seniors (65 or older) are single? Some are single by choice, others by circumstance. Roughly 5% of seniors have never married, 8% are separated or divorced and a full 30% are widowed. Additionally, some two-thirds of Canada's single seniors are choosing to live alone. Note the differences between men and women. Whereas 43% of women are widowed and 38% are living alone, only 12% of men are widowed and 16% are living alone. Seventy-four percent of men are married compared to only 44% of women. The statistics for never married, separated and divorced individuals, however, are almost exactly the same between men and women.

The Issues

Singleness in the senior years involves a variety of issues including: adapting to being single, acknowledging desires for relationship and intimacy, coping with grief and loss after death or divorce, and living alone.

Those who have always been single often have the most well developed strategies for maintaining healthy relationships and being active without a partner. These individuals may need to utilize those skills, more than ever in retirement, as some of their basic social networks, such as daily contact with work associates, are no longer present in retirement. They do have the advantage of not having to negotiate their retirement plans with anyone, but again may need to draw on a variety of relationships to fulfill their social needs in retirement.

Approximately 50% of Canadians will divorce during their lifetime. The fact that only 8% of people are separated or divorced in the 65 and over category confirms that the desire for relationship is as real in later life as it is for younger individuals. In fact, divorced and widowed men and women, even in their seventies and eighties can miss relational and sexual intimacy as much as anyone else. They just may not be as likely to talk about it!

One of the greatest challenges for those who are widowed is loneliness. It is important to draw on family and friends during this significant time of loss and transition. Additionally, one may not have prepared adequately for such a loss in a number of significant areas requiring skills such as cooking, household management, and financial matters. Once again, it will be important for these individuals to draw on their support system for practical help until they can familiarize themselves with these new tasks and responsibilities.

Living Alone

As is evident in the statistics above, senior men are much less likely to remain single, or to live alone, as senior women are. In fact, women living alone outnumber men almost three to one. First of all, there are indeed more women than men, although not as many as you might think – 56% of seniors are female while 44% are male. The second reason is that the men remarry. Women on the other hand, are not as likely to remarry. After a lifetime of caring for others, including households, children and, sometimes even parents in their later years, women, for the first time in their lives, are free to care for themselves and pursue their own interests. Women also tend to have more support systems than men and thus are less reliant on a marital relationship to fulfill their social needs. When asked, a man will tend to cite his wife as his best friend; a woman is much more likely to name a close female friend.

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DIVERSIFICATION: KEY TO REDUCED PORTFOLIO VOLATILITY

EXAMPLES FROM CANADIAN MUTUAL FUND UNIVERSE
(data shown are medians for the indicated fund category, except CPI, provided as measure of inflation)

	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
5 Year GIC	**7.7%**	7.3%	5.9%	4.8%	4.5%	4.9%	5.5%	4.1%	4.0%	3.2%
Conventional Bond	-5.7%	**18.4%**	9.8%	8.1%	6.8%	-2.4%	**9.2%**	5.8%	**6.1%**	5.4%
Corporate Bond	n/a	12.5%	12.4%	10.1%	0.9%	2.1%	0.4%	**6.3%**	4.1%	11.3%
Canadian Equity	-2.4%	13.4%	25.8%	**13.9%**	-0.9%	20.7%	7.2%	-4.6%	-12.0%	20.5%
Canadian Small Cap	-8.3%	16.5%	**31.9%**	13.0%	-10.3%	17.6%	1.8%	-0.7%	-3.0%	**29.6%**
Global Equity	2.5%	10.2%	14.4%	12.2%	**16.8%**	**26.3%**	-9.1%	-12.6%	-20.3%	12.3%
CPI	0.2%	1.8%	2.2%	0.7%	1.0%	2.6%	3.2%	0.7%	3.9%	2.0%

Note in the table the returns that various asset classes produced for a typical Canadian investor over each of the past ten years. The best overall performers were Canadian Small Cap and Canadian Equities at 7.9% and 7.5%, respectively. These were followed by Corporate Bonds at 6.6% and Conventional Bonds at 6.0%. At the low end were 5-Year GICs at 5.2% and Global Equities at 4.3%. Of course, a year-by-year review reveals that there were ups and downs in the various categories. The highest yielding asset class is highlighted for each year. The bottom line is that with a well-diversified portfolio, the retiree has the luxury of being able to ride out an asset class that is out of favour, and redeem investments from a different category that has done better.

In summary, when your investment time horizon is long term, your portfolio should continue to be well diversified and include conservative equity exposure!

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Upcoming Seminars

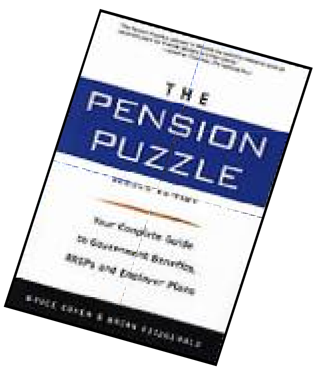
Three Day English Seminars
2004: Sept. 8-10 Oct 6-8 Oct 20-22 Nov 24-26 Dec 1-3
2005: Jan 12-14 Feb 16-18 Mar 16-18

Two Day English Seminars for Executives
2004 : Sept 13-14 Nov 8-9
2005 : Feb 14-15

Resources Reviewed

The Pension Puzzle: Your Complete Guide to Government Benefits, RRSPs, and Employer Plans. **2002. B. Cohen & B. Fitzgerald.**

What a super guide to the complex topic of pensions! This book will provide you with both great info as well as very useful exercises. It even has an excellent chapter on what to do if it looks as though your pension income isn't going to be enough. This would be a great addition to your retirement library.



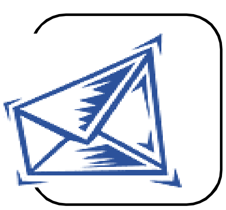
Single in Retirement *...cont'd from page 2*

Success Strategies

Although retirement can be a time of great enjoyment, it can also be a time of significant losses: loss of daily contact with work friends, children moving out and developing their own lives and interests, relatives and friends becoming ill or passing away, losing a partner or spouse, and leaving a community when relocation takes place. How one deals with such losses can be a great determinant of happiness. Here are some ways to minimize the impact of losses:

- Nurture close relationships with family and friends – stay in touch through social contact or simply via phone, e-mail or letters
- Develop a diverse network of friends and family
- Get a pet – the benefits have been well documented
- Develop or maintain connection in your neighbourhood and/ or spiritual community
- Take steps to make new friends by being socially active
- Explore volunteer opportunities – reaching out to others can be very therapeutic
- Develop current or new interests – particularly those that will promote relationships
- Become or continue to be physically active
- Eat with others – shop and cook with them too!
- Explore housing options that provide greater contact with others
- Keep a positive attitude
- Get a coach or counsellor to help you with deal with transition and loss

* All statistics are taken from the 2001 Census of Canada, catalogue number 97F0004XCB01040. All statistics have been rounded to the nearest percentage point.



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