my money At a Glance

Helping You Understand Financial Planning and Investments

Safe proof your dreams:

For those nearing retirement, consider ways to protect your nest egg

Imagine you're a motorist with a flawless driving record who always takes meticulous care of your vehicle. Despite your conscientious habits, one day you are involved in a road accident–due to no fault of your own–and face costly repair bills.

That's the same kind of unpleasant surprise a retired person could face when unexpected events occur. You carefully planned for retirement and saved diligently, but suddenly you face a mishap like serious illness or death of your spouse, which could drain your savings.

Naturally, we can't over-think the unpredictable future, but it's a good idea for those nearing retirement to consider how they can safeguard their retirement savings.

Why worry?

It may seem obvious to warn you about the risks of retirement. After all, no one can predict how long we will live, whether our savings will last or how our investments will fare, especially in light of the recent market ups and downs.

That said, senior citizens are likely to face certain events that should be considered in advance. For example, older persons may suffer age-related health problems, such as stroke, heart disease or cognitive impairment that could greatly change a person's way of life. These conditions could result in steep costs, such as home care, nursing home or assisted living that could deplete the retirement funds a person accumulated over the years.

Adding to the unknown, these days fewer employers are extending health benefits and life insurance for their retired employees. That means it's a good idea for older workers to consider acquiring their own protection plan to help pay medical costs and avoid cashing in retirement investments early. Some of the options include life insurance, critical illness, long term care or personal health coverage.

Consider your options

It's important to remember that everyone doesn't need additional insurance. Many people successfully build a retirement fund that's large enough to manage any goals or expenses they may encounter during retirement. Through diligent saving, a person can save enough funds to live comfortably without needing to buy additional protection products.

However, with many people having difficultly saving a nest egg these days, or those who face economic or personal challenges along the way, it's a good idea to review ways to partly or fully insure their retirement goals.

Whether you are confident with your current savings, or you worry about your retirement expenses, the most important thing is to think about it. Ensure you have some strategy to address the threat of long-term care or health expenses down the road. You may choose to simply rely upon your retirement savings for these costs or you may decide it's prudent to increase your insurance to prepare.

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What are some options?

Life insurance: This method of safeguarding your nest egg may come as a surprise since we often think of life insurance for younger persons. Although life insurance is not always the best option to include in a retirement plan, it can make sense at retirement if you still have dependents who rely on your income. While there are many considerations, life insurance could be a sensible choice if these dependents would suffer financially in the event of your death.

Life insurance can also be a viable option in order to:

- Pay off debts that you will still hold when you die.
- To cover taxes or final expenses at death.
- To increase the size of your estate for your beneficiaries or to equalize your estate among different beneficiaries.
- To provide for a favourite charity by making them a policy beneficiary.

You should carefully discuss these needs with a qualified financial advisor to make the best decision for your individual circumstances.

Long term care insurance:
As today's senior citizens live longer and choose to maintain independent lifestyles, experts suggest that long-term care costs are one of the most likely risks a retired person could face. Again, it's important to think carefully about how you would pay for the costs of in-home care or nursing home care if the time comes when you can no longer perform daily activities on your own.

Since such care can be expensive, many persons consider long-term care insurance so they don't have to draw upon their retirement assets or reduce their retirement income. Ultimately, there are many different strategies you can use to manage your healthcare costs, so be sure to investigate your options and choose the best strategy for your situation.

Planning when retirement is near
While you don't want to leave protection planning too late – since your age and emerging health conditions could affect the costs – many people review their insurance needs when they are close to their retirement date. When you leave your employer, it may be possible to extend your current policy to include standard coverage for things like prescriptions, dental care and out-of-country travel insurance. You may also be able to convert your employer critical illness or life insurance policy.

To make the best decisions, you can talk with a retirement savings and benefits specialist at Sun Life Financial or seek your own qualified financial advisor. Sun Life Financial also provides online tools to help you get ready for retirement, such as:

- myretirementcafe.ca, Sun Life Financial's retirement education website
- the 'Retiring Soon' newsletter, and
- the 'Harvest your savings resource centre' found on the Plan Member Services website at **mysunlife.ca**, within **my info café**.

No one likes to let unknown worries cloud their view of the future, but it's definitely a good idea to mull over the 'what ifs,' including health and personal care costs that you might face. By doing so, you can ensure that your hard-earned savings will be at your disposal to enjoy the things you pictured for your retirement years.

Self-insuring against the unknown

Whether or not you decide to purchase additional insurance to help address unexpected retirement costs, there are tips to help any senior citizen stretch their savings further and prepare for unexpected costs. Some of these include the typical asset allocation techniques that wise investors apply to reduce risk. For example:

- **Diversify your investment portfolio:** among equities, bonds (or mutual funds that contain these), cash and fixed income products so that you don't have all your eggs in one basket. Use asset allocation tools to determine your personal risk profile, like those available on **mysunlife.ca**, to find the right asset mix for you.
- **Maintain a cash stash:** Although you don't want all your assets in cash due to today's low interest rates, it's wise to keep an adequate cash emergency fund that you can access if needed.
- **Develop and follow a household budget:** This is useful during every stage of your life, but it's especially important for seniors who have a fixed income and must monitor their expenses.
- **Take advantage of low-risk and guaranteed income products:** With the help of easy-to-use asset allocation tools or a financial advisor, you can decide what percentage of your portfolio should be in lower-risk investments, such as guaranteed investment certificates or other products that are easy to cash and provide a dependable source of regular income.
- **Ensure you have appropriate insurance coverage:** As discussed throughout this newsletter, check that you have the right type of insurance and coverage for your individual needs.
- **Diversify further with annuities:** While many people will choose to simply live off their retirement savings, others might decide to use some or all of the funds in their retirement savings to purchase a life annuity or other lifetime income insurance product that can provide regular and consistent income payments during their retirement years.

If you have a general question or suggestion about this newsletter, please send an e-mail to grsmarcom@sunlife.com or write to my money At a Glance Newsletter, Group Retirement Services Marketing, Sun Life Financial, 225 King Street West, Toronto, ON M5V 3C5.