Edward Jones

# Making your money last: 10 principles for living in retirement

## Making your money last

Learn ways to:

- Discuss the key principles that can help you stay on track in retirement
- Help ensure your money lasts throughout your retirement

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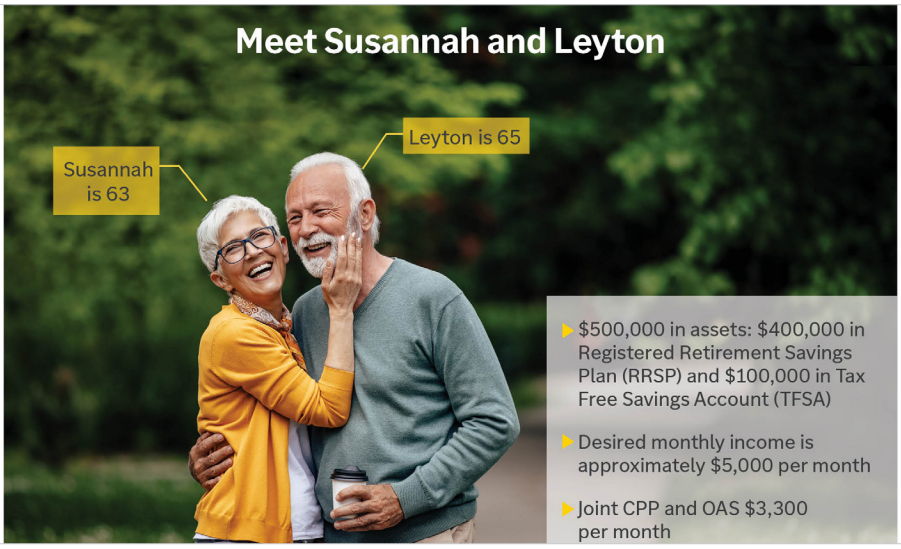
## Making your money last

1. Mapping out retirement goals
2. Meeting goals in retirement
3. Factoring in inflation
4. Preparing for healthcare costs and taxes
5. Sources of income in retirement
6. Canada Pension Plan (CPP) and Old Age Security (OAS)
7. Employer pension plans
8. Managing a shortfall
9. Diversification, annuities and maintaining cash
10. Annual reviews

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## 1 Mapping out retirement goals

- What does retirement look like for Susannah and Leyton?
  - Travelling/vacations
  - Volunteering
  - Spending time with family
  - Leaving a legacy
  - Engaging in hobbies
- How much will it cost?
- How will you pay for it?

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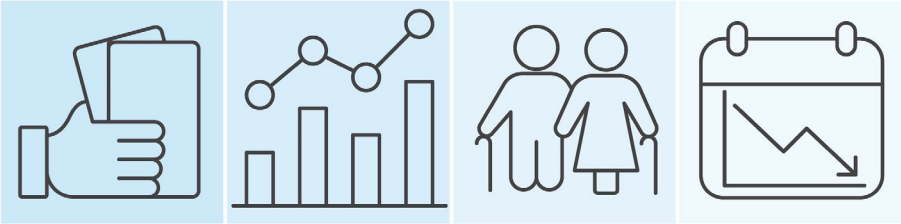
## 2 Meeting goals in retirement



Rate of withdrawal | Market performance | Retirement age and longevity | Sequence of returns

### Rate of withdrawal

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## Market performance

## Plan for a long and fulfilling retirement

- The average 65-year-old will spend almost 20 years in retirement
- A 65-year-old couple has a 40% chance that at least one spouse will live past age 90

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## What is sequence of returns?

| Scenario 1 | Scenario 2 |
|---|---|
| 12.00% | 5.00% |
| 9.00% | -3.00% |
| 6.00% | 2.00% |
| 12.00% | 11.00% |
| -4.00% | -6.00% |
| 16.00% | 3.00% |
| 12.00% | 9.00% |
| 13.00% | 8.00% |
| -3.00% | -1.00% |
| -1.00% | 4.00% |
| 17.00% | -2.00% |
| 11.00% | 9.00% |
| -2.00% | 4.00% |
| -7.00% | 9.00% |
| 7.00% | 6.00% |
| 6.00% | 7.00% |
| 9.00% | -7.00% |
| 4.00% | -2.00% |
| 9.00% | 11.00% |
| -2.00% | 17.00% |
| 4.00% | -1.00% |
| -1.00% | -3.00% |
| 8.00% | 13.00% |
| 9.00% | 12.00% |
| 3.00% | 16.00% |
| -6.00% | -4.00% |
| 11.00% | 12.00% |

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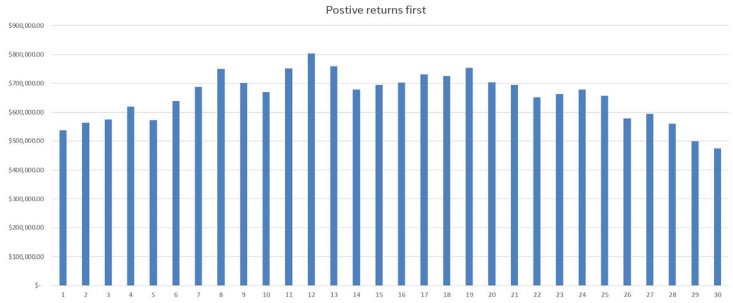
## Let's compare

| Postive returns first | | Negative returns first | |
|---|---|---|---|
| First 10 year average | 7.2% | First 10 year average | 3.2% |
| Middle 10 year average | 5.2% | Middle 10 year average | 5.2% |
| Ending 10 year average | 3.2% | Ending 10 year average | 7.2% |
| Average return | 5.2% | Average return | 5.2% |

## Comparing results

$20,000 withdrawal per year increased for inflation at 3%
Withdrawals take place at beginning of the year, returns applied at end of year




- Stronger average returns early allow them to build their portfolio
- Lower returns later do not hinder the portfolio overall
- Over $475,000 left at age 95

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## Comparing results

$20,000 withdrawal per year increased for inflation at 3%
Withdrawals take place at beginning of the year, returns applied at end of year

- Sequence of returns reversed
- Same portfolio and withdrawals
- Lower average returns early do not allow them to build or maintain their portfolio
- Strong returns later do little to help
- They run out of money before age 92

## 3 Factoring in inflation

### Impact of inflation on purchasing power
(assuming annual inflation of 3.00% for 25 years)

| Year | One dozen eggs | 4L bag of milk | Household monthly cell phone services | New car |
|---|---|---|---|---|
| | | | | |
| Cost 2025 | $4.85 | $6.63 | $109 | $56,300 |
| Cost 2050 | $10.15 | $13.88 | $228 | $117,880 |

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## 4 Preparing for healthcare costs and taxes

- Long-term care
- Assisted living
- Other costs such as hearing aids, dentures, cataract surgery, prescription drug costs, etc.

## Take taxes into account

- Plan for taxes in your annual budget
- Meet with your tax professional
- Consider income and pension splitting
- Review the order of investment withdrawals – registered vs. non-registered

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## 5 Sources of income in retirement

| Income | Expenses |
|---|---|
| Government retirement benefits – CPP/QPP and OAS | Mortgage |
| Pension and other employer-sponsored retirement plans | Utilities |
| Registered plans (RRSP, RRIF, Locked-in, etc.) | Groceries |
| Annuities and investments | Taxes |
| Additional savings | Healthcare costs |
| Part-time employment | Discretionary costs – travel, entertainment, etc. |
| Rental income | |

## 6 Canada Pension Plan (CPP)

Impact of taking CPP earlier vs. later

| Age | Reduction | Increase |
|---|---|---|
| 60 | 36.0% | |
| 61 | 28.8% | |
| 62 | 21.6% | |
| 63 | 14.4% | |
| 64 | 7.2% | |
| 65 | 0% | 0% |
| 66 | | 8.4% |
| 67 | | 16.8% |
| 68 | | 25.2% |
| 69 | | 33.6% |
| 70 | | 42.0% |

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## Canada Pension Plan (CPP)

| Maximum CPP monthly retirement benefit in 2025 (age 65) | Average CPP monthly retirement benefit as of October 2024 |
|---|---|
| $1,433.00 | $899.67 |

## Impact of taking OAS later

Illustrative example

| Age | 65 | 66 | 67 | 68 | 69 | 70 |
|---|---|---|---|---|---|---|
| Increase | 0.0% | 7.2% | 14.4% | 21.6% | 28.8% | 36% |

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## Maximum monthly Old Age Security (OAS)

| | | |
|---|---|---|
| Age | 65-74 | 75+ |
| Amount | $727.67 | $800.44 |

## 7 Employer pension plans

- Defined benefit pension plan
- Defined contribution pension plan

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## 8 Managing a shortfall

- Saving more for retirement
- Spending less
- Working part-time
- Retiring later
- Downsizing or selling real estate
- Optimizing when to take government benefits such as CPP/QPP and OAS

## 9 Diversification, annuities and maintaining cash

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## Annuities

## Importance of maintaining cash

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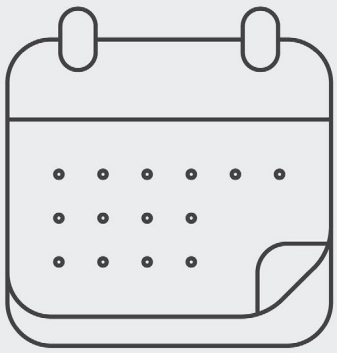

## 10 Annual reviews

- Adjust withdrawal rate as necessary
- Address rising income needs
- Confirm timing of retirement income
- Rebalance portfolio, if necessary

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## What makes us unique: Doing money differently®

1. We prioritize what's most important to you and help you define your short- and long-term goals before providing advice.
2. We build deep and trusting relationships and work with you to develop strategies that support your goals related to health, family, purpose and finance.
3. We provide comprehensive planning and advice to help balance and achieve your goals.
4. We partner with you through life's curveballs, cannonballs and windfalls and we'll work together to adjust your plans as needed.

## Your priorities are our priorities

- Financial management
- Asset management
- Risk management
- Tax planning
- Retirement planning
- Estate planning
- Business planning

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## Your financial journey

Working together, we'll use the Edward Jones process to establish, confirm and regularly revisit your financial strategy.

## A team approach

### Key members of your team

1. **Your Edward Jones branch team**
   - Financial Advisor
   - Branch Office Administrator
2. **Your Edward Jones home office team**
   - Advice and Guidance Strategists and Analysts
   - Client Consultation Group
   - And more
3. **Your legal and tax professionals**
   - Accountant
   - Lawyer

Edward Jones, its employees and financial advisors are not estate planners and cannot provide tax or legal advice. Clients/prospective clients should consult their estate-planning lawyer or qualified tax advisor regarding their situation.

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## Any questions?

## Let's connect!

- Email me directly if you have additional questions
- Call my office
- Complete the **My Priorities Quiz** and bring it to your next appointment
- How did I do? Complete the seminar evaluation

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