PLANNING MATTERS

Quarterly Financial Planning Newsletter from Coleman Wealth

Summer 2018 - 1st Edition

Important Dates and Numbers

Maximum RRSP limit for 2018: 18% of earned income up to a maximum of $26,230
TFSA limit for 2018: $5,500, if over age 18
Cumulative TFSA limit: $57,500 if (over age 18) since 2009

Pedro and Nik's Tips and Tricks

- **Pedro:** If you want to cut down on the paper clutter, register for on-line access if you haven't already. With online access you can toggle your statement preference to e-statements. You can also do this with trade confirmations and tax slips. Every month you will get a notification email telling you that your documents are ready for viewing and they can be downloaded at any time.
- **Nik:** If you are looking to deposit funds to your investment accounts, don't worry about looking for the cheque book. You can just add Raymond James Ltd. as a payee to your online banking and send funds directly to your investment account. Feel free to ask me for more details and your account numbers.

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What's New with Coleman Wealth?

Darren and Sue recently returned from their volunteer trip to Tanzania where they distributed over 2,000 bed-kits to children of small villages to provide them with a better night's sleep and a better day tomorrow. Here they are pictured with 114 of the children they provided a bed-kit to. Darren will give us a more in-depth account of his volunteer experience with Sleeping Children Around the World in our autumn edition of Planning Matters.

Andrea and Mike just celebrated being parents for one month. The twins are growing well and are more alert and aware each day. Andrea is adjusting to life away from the office and adapting to her new job of being a mom (but really enjoyed discussing tax code with her father-in-law yesterday)! Here are Julian and Ella looking cute as can be.

Nik spent a few weeks earlier this summer travelling around Europe. He and his girlfriend saw some of the main hot spots which included Thessaloniki, Geneva, Amsterdam, Barcelona, Paris, Venice, Rome, Skopje and of course visiting family in his hometown of Sabac, Serbia. In the picture (left) they are in Barcelona at Park Guell, a creation by the famous Antoni Gaudi completed in 1914.

Pedro has been enjoying the summer around the city, trying out new restaurants and simply soaking up the hot summer days. He enjoyed the beach up north in late July and will also be taking off the last week of August.

Vikki spent the first part of the summer getting ready to write the U.S. securities licensing exam – the whole team at Coleman Wealth now have U.S. licenses! She rewarded her hard work with a six night adventure canoeing through Algonquin Park where she saw a moose, beavers, frogs, herons, loons, and otters. Luckily, there were no close encounters with bears!

We hope you have all had an amazing summer too and look forward to catching up with many of you this fall during our review season.

Rethinking investment, work life and retirement

A large part of our discussions with clients is around the obvious -- preparing for retirement. However, we have found that more and more, what our clients actually want to do in their retirement looks very different to the traditional cliche of retiring at 65, collecting pensions, becoming a member at the golf club and going south for the winter. More and more of our clients are finding this is the time they want to start a business they have always dreamed of running or that they love what they do so much they would like to just slow down a bit year by year but potentially never fully retire. Dr. Joe Coughlin from the MIT AgeLab has long been researching what older people actually want and this article is a great introduction to some of these findings.

Nearly all nations are experiencing a combination of population aging and declining fertility rates. Forecasts predict that by 2047, there will be more people worldwide older than 60 years than children younger than 15. The fastest growing cohort in the U.S. is people age 85 and older. Studies suggest half the children born after 2000 might live more than 100 years.

Demographic doomsayers look at these trends and predict grave socioeconomic consequences: pension meltdowns, generational warfare, the implosion of national health-care systems. Perhaps. But we should consider history: 220 years ago, Thomas Malthus predicted disaster stemming from population growth, but he did not foresee the technological changes that arose as well. Today's Malthusian aging-futurists assume we will maintain policies, practices and societal norms created for lifespans and lifestyles many decades ago.

To translate longevity into the grand opportunity it is, investment, employer and retirement planning communities must take creative urgent action today.

New investment thesis for old age

The longevity economy is the mass of consumers over age 50 — the world's most misunderstood market. Older consumers typically are written off or ignored by business. Companies that do invest in the 50-plus market see a vast population with needs but few novel wants. New medications, diagnostics, devices and skilled nursing facilities are seen as the primary investment opportunities. This is not an incorrect investment thesis, but it is missing something very big.

The 50-plus market in the U.S. constitutes nearly 70% of the nation's consumer spending. Globally, consumers 60 years and older have the spending power equal to the third largest economy in the world, after the U.S. and China. Few would suggest that today's older population (let alone tomorrow's) has the same attitudes and behaviors of previous generations. Aging baby boomers, and the generations that will follow, have great expectations of not simply living longer, but living better.

Investment thinking must adapt to a new, older, primarily female, consumer that has unprecedented education, income and experience. Investing in the longevity economy includes responding to needs, but it also is about anticipating new wants. Here are just a few market opportunities: technology-enabled home services that provide convenience and support at the same time; new models of lifelong education, not just for personal enrichment but to remain competitive in the workplace; and new approaches to leisure that go beyond beaches and golf courses. Investing in the longevity economy is about finding companies that want to invent an entirely new life stage.

5 generations at work

Longer life is not simply a story of more older workers; it is about more generations at work. From those over age 72 who are still working, to older boomers, younger boomers, Gen Xers, millennials, to the Generation Z workers born after 2000, today's employers are managing a five-generation workplace.

A generation is not an age, it is a collective experience. Experiences in young adulthood, such as the movements of the economy, history-making events, technological shifts and cultural trends shape attitudes and influence behaviors typically characterized as a generation. Employers are now confronting greater attitude and behavioral diversity in the workplace than ever before.

Even the definition of career and the role of the employer varies across generations. Employees age 72 and older, and many older boomers see decades of work at one firm as the prototypical career. The downturns and layoffs of the 1980s and 1990s have made it difficult for many younger boomers and Gen Xers to view their employer as a lifelong option. Millennials and Gen Zers, being much more technologically independent than older generations, are more likely to see work as a gig — viewing a career as a series of jobs and employers that merely provide income and individual skills development.

Given the pace of technological change and talent shortages, lifelong education and knowledge management are critical. Consider the number of professions that did not exist a few years ago to which both older and younger workers must adapt: data scientist, experience designer, sustainability manager. Many professions — e.g., energy, construction, aerospace — are desperately seeking to keep older workers, both for their accumulated knowledge and because there are few younger workers to take their place.

Physical redesign of the workplace will be required. Office environments will need to adapt lighting and ergonomic improvements to accommodate aging eyes and backs. Manufacturing and logistics operations will need to integrate robotics and collaborative robotics to enable all workers to work with fewer injuries.

Despite all of the differences, there also are converging generational values. Flexibility is now sought by all employees. Younger workers seek flexible hours to accommodate active lifestyles and child care. Older workers are seeking greater flexibility to provide time for caregiving or to ease transition into retirement.

A new retirement story

The idea of retirement, pensions and benefits is only a century-plus old. The redefinition of retirement is underway — and being shaped by individuals navigating a profoundly different context of old age.

Retirement was once a short period of life after work. Today, people are likely to live to 85-plus years old, making retirement last decades, not just a few years.

According to AARP, nearly 40% of Americans age 50 and older expect to work "until they drop." For many, work in retirement is about ensuring that one's "wealthspan" is as long as one's lifespan. Work is also about meaning, a reason to get up in the morning. Perhaps most importantly, it's a way of getting out of the house. In one MIT AgeLab study, a respondent was asked why he went back to work in retirement; his wife interjected quickly, bringing both a chuckle and an insight — "I married him for life, not for lunch."

Families, not finances alone, have always been key to retiring well, with adult children, spouses and siblings providing support for tasks such as home maintenance, transportation and caregiving. But the average family of today is smaller and more fragmented. The highest divorce rate is now among those age 50-plus. Gray divorce has increased nearly 700% since 1960. Moreover, the baby boomers and Gen Xers had fewer children than their parents. Fewer children, working children and children that live across the country unable to provide support means a new cost in retirement — replacing the adult child.

An increasing number of retirees, especially women, live alone. How to complete the everyday tasks that might once have been shared with a partner or adult child at a manageable cost is a growing challenge.

Retirement plan sponsors and the broader financial services industry already are finding that educating people about the cost of retirement is not enough to influence savings behaviors. Instead, an expanded role that helps people navigate decades of life after work is evolving. Educating people about the changing context of life in retirement with concrete, easy-to-visualize stories about life after full-time work might prove to be a more effective means to engage people in pre-retirement behaviors.

The longevity economy is both a great investment opportunity and disrupter to current ideas of work and retirement. A new investment thesis for the aging population, one that includes but goes beyond the health needs, must emerge. The next-generation older consumer was excited and delighted by new products, services and experiences at every prior life stage. They are not likely to lower their expectations in retirement. A multigenerational workforce with a diversity of attitudes and behaviors will bring challenges, but also will introduce a more creative workplace.

Today's retirement plans and engagement strategies were written for yesterday's retirees. The longevity economy now requires a different retirement narrative — one that includes financial security as well as a story that helps people navigate the new old age.

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*Joseph F. Coughlin is director of the **MIT AgeLab** at the Massachusetts Institute of Technology, Cambridge, Mass., and author of "The Longevity Economy: Unlocking the World's Fastest-Growing, Most Misunderstood Market." This content represents the views of the author.*

Original Story: http://www.pionline.com/article/20180319/PRINT/180319898/commentary-rethinking-investment-work-life-and-retirement

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