PLANNING MATTERS

Quarterly Financial Planning Newsletter from Coleman Wealth

Summer 2015 - 4th Edition

#Keepfightingmichael

By Darren Coleman, CFP, PFP, FCSI
Senior Vice President, Associate Branch Manager & Portfolio Manager
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My summer vacation in Europe is coming to a close and, after consuming more than my fair share of gelato, I wanted to share one particular memory with you. Two weeks ago, I granted my wife one wish and took her to the Ferrari Museum in Maranello, Italy. (Curiously, I was with my Mom in Germany three years ago and she was just begging me to take her to the BMW factory and museum - what's with these ladies?)

As a long-time Formula 1 fan and car lover, I was as excited as a small child at Christmas. So many beautiful and important cars - this was much art gallery as it was a museum. One of the exhibits that really struck me, were all the Championship Formula 1 cars that were driven by Michael Schumacher.

Here I am with one of them.

I must confess - it was a bittersweet moment. On one hand, I was so happy to be next to a car I had watched on television, and surrounded by some of the most incredible cars on earth. And yet, I was also saddened by my thoughts of what has happened to its driver.

You may know that Michael experienced a very severe brain injury while skiing with his family in late 2013. In December of that year, he was placed in a coma for over a year and his injuries have been described in the press as "traumatic". From what I have read in the press, there is very little expectation for a recovery.

He has experienced unparalleled success and amassed immense wealth while exposing himself to catastrophic risk driving racing cars at breakneck speeds for over three decades. And nearly everything was taken from him during his retirement while skiing down a hill with his children.

Notable News

1. **RRIF and LIF minimum withdrawal rates** have been lowered this year for individuals aged 71-94 to reflect the longer life spans of Canadians and existing investment return rates. We recently ran a client webinar discussing this subject and the link to the presentation can be found on our website: http://www.colemanwealth.com/video_library.htm
2. **Universal Child Care Benefit** catch-up payments went out in July to parents with children under the age of 17. The new payments are $160/month for children under the age of 6, and $60/month for children under the age of 17. Don't forget – these payments are taxable income, so make sure that you put some money aside come next April at tax time.
3. **The Bank of Canada** reduced interest rates once again in July. The new prime rate is 2.7% and most banks have followed suit by lowering their prime rate. This is good news for anyone renewing a mortgage or seeking out new sources of debt! Beware the long term implications of affordability of your choices today when interest rates eventually start to rise.

Coleman Wealth
Raymond James Ltd.

40 King St West, Suite 5300, Scotia Plaza, Toronto, ON M5H3Y2

www.colemanwealth.com

Michael and I are about the same age, and perhaps this is one of the reasons I have always been a fan. He lived a life I could only dream of - and while I am admiring his incredible career and amazing cars, he lies in a hospital bed in his home in Switzerland.

As a seven time World Champion, five of which came driving for Ferrari, Michael Schumacher was not only one of the most successful drivers of all time, he is also perhaps the wealthiest, with a fortune estimated to be over $500 million US.

Today, it is estimated that his care since his accident cost over $10 million and currently costs almost $100,000 per week.

Life has movement. Things happen. Even the rich and famous are not exempt.

So, along with coming home rested, I'm also coming back with a renewed sense of what's important and what I'm working for. We must prepare for all that life has to offer: to really enjoy and celebrate when things go well, and make sure we have solid plans in place for the times they don't.

Andrea, Pedro, Nick and I are completely committed to ensuring you and your family has both. As always, thank you for your continued trust and confidence. We're grateful for our relationship. And stay tuned - we have a lot of things in store for you this fall!

Retirement- Ready?

10 steps to help determine if you're nearly there!

Here at Coleman Wealth, our holistic financial planning process is designed to provide you with certainty as to where you stand while looking forward to retirement. Indeed, it is hard to qualify and quantify the look, shape and feel of retirement until you actually get there. However, there are certain litmus tests that we can use to determine whether you might be financially ready to take a step back from the working world.

1. Your house is paid for.

Money that has once been sunk into paying off your debt is now free and available to direct to other activities: for instance, travelling! Plus, a debt-free home offers a great retirement safety net. You can always rent out a portion of your home, downsize, or look at a home equity line of credit to help fund your retirement if times get tough.

2. Your children are financially stable and independent.

At a certain point, you have to stop worrying about your kids and hope that they will start worrying about themselves, and you! Ideally, everyone will lead happy and independent lives, but this isn't always the case. If you're still supporting your children in one way or another, you may want to keep working until that ceases.

3. You've determined a realistic retirement lifestyle, and test driven a realistic retirement budget.

The number one question, which is often difficult to answer, is what do I need to retire? That all depends on what your retirement lifestyle looks like. Often this is hard to determine in advance of actually retiring, but a good practice for real retirement is to try creating and living a real retirement budget. This will help to show you how much life costs, and put some real parameters around the retirement projections that we can run for you.

4. You know where you'd like to lay down roots, and if it requires moving, you've test driven your new location.

We know that retirement often looks like a Cialis commercial, but beachfront living isn't for everyone! If you have dreams of living somewhere that isn't your current home, try taking an extended vacation for a few months to see if living there is all it's cracked up to be.

5. You can weather a market downturn.

If the idea of a market correction frightens you to the core, this might be a sign that the size of your portfolio cannot withstand any shakeups – meaning you might need to save more before retiring! If you're not sure, we are happy to run forecasts that take into account market volatility to give your portfolio a hypothetical test drive.

6. You have varied sources of income.

We've all heard that diversification is a good thing, and the same comes to retirement income. Aside from your investment portfolio carrying the brunt of your spending, a private pension, part time job, consulting career, or rental income can help to take off some of the burden. The trick is making sure that you develop a proper cash flow sequencing plan to ensure that your income is smoothed out over the years, and that your taxes are minimized.

7. All your friends are retired.

Are you the only one in your social circle working? Ask yourself why. Is it because you need a paycheque, or is there another more emotional reason? Whether you decide to stay in a job or not is less important than being honest with yourself and knowing your reasons for continuing to work.

8. You've planned your lifestyle choices.

Even though you know what you'd LIKE to do, what will you actually be doing on a regular Wednesday morning? Retirement means so much more than not working. Consider issues such as your leisure activities, volunteering, travel, part time employment, and health when planning out how you will live every day and truly enjoy a fulfilled and full retirement.

9. Your job is affecting your health.

Did you know that less than half of retirees left the workforce when and as they had planned? The rest retired earlier (48%) or later (6%) due to circumstances out of their control, a recent Angus Reid poll found. The truth is, none of us can control how we age, and there's no shame in modifying your plans to ensure the longest, healthiest retirement possible.

10. You've updated your retirement plan with Coleman Wealth!

If this has not been checked off your to-do list, we strongly recommend this as a must-do! Retirement planning isn't something you do once and put in a drawer. It's something that is updated every single year so that we can adapt and move with the ebbs and flows of life. It will also give you a lot of comfort and peace of mind in realizing your own retirement dreams.

How to raise financially savvy kids

Undoubtedly, you've enjoyed every waking moment of your summer with your children. However, September is sneaking up quietly and ready to snatch your kids away from you once again! As we become prepared to set them loose again for the year, there is no better time to re-evaluate their future, and determine how you want to be a part of it, and what you want to teach them.

Often, parents want to ensure that their kids live stress-free during their post-secondary education years. However, this isn't necessarily possible for everyone, especially if they decide to pursue a masters, med school, law school, or GULP, international studies. What are some options that will help you (and them) to be more financially responsible adults?

1. Teach young kids the value of a dollar.

a. Kids will often ask, ask, ask without knowing how long it takes to save, save, save to buy a desired toy, technology or treat. A tried and true technique? Provide them with an allowance each week, but require that they save at least 10% of that allowance in a savings account. Allow them to see their money grow and get excited about it! Teach them how their dollars grow (simple interest) as a foundation for learning about money. Then put it into practice by having them save up for something they want to buy, and allow them to buy it themselves.

b. Make them earn their allowance! This shouldn't be expected, but a reward for hard work. Make sure they have daily and weekly chores that they need to fulfill in order to earn their spending money.

2. Encourage different options for tweens and young teens.

a. Having a job as a babysitter is often a right-of-passage for most young teens. However, you can help out those who aren't as keen to take that on by offering them part time jobs around the house. For example, if they're bored during the summer, offer them a small income to paint your fence. Make sure they continue to save at least 10% of that money in their savings account.

b. Volunteering is also a great way to teach the value of hard work and responsibility for young adults. Community or church groups are a great way to encourage your kids to get involved and give back without expecting rewards.

3. Require teenagers to work part time.

a. At a certain age, allowance just doesn't cut it anymore. Instead of increasing their allowance to keep up with their increased spending appetite, make getting a part time job a requirement. How you want to enforce this is up to you, however you can get strict and take away their allowance entirely until they get a job.

b. Make sure they have a stake in their own education! By giving them a financial GOAL to meet, and teaching them how much is required to meet that goal, a part time job becomes a necessity! It will also allow them to realize the value of what they're earning, and how hard work is needed to meet a desired goal. An idea is to make them responsible for 1/3 of their education, or their food/spending during university, or to give them a set goal for the amount that you would like them to contribute to their education each year.

4. Talk to your young adults about debt.

a. University campuses are ripe with credit card offerings, and student lines of credit are often a source of funding for many young adults. The unfortunate reality is that without preparation, these are often viewed as 'free money' by many university goers. If possible, teach them to spend only what they have by using debit, help them lay out a monthly budget and do not co-sign on any unnecessary credit! It can also help to show them how compound interest on debt can spiral out of control when left unpaid.

5. Practice what you preach.

a. Every time you take out your wallet (or choose not to), you're teaching your kids something about your values. And, they're watching. Make sure that your actions are in line with what you want them to learn about money. For instance, if you value education, explain the concept of an RESP to your kids, and how you contribute to their future each and every year.

6. Talk about it.

a. Only a minority of parents talk to kids about money (28%, based on a recent survey by investment managers T. Rowe Price). Trying to teach your children about what life costs can be a daunting task. Start small – for example, by showing kids a utility bill and explaining what it's for and what it costs to run a household. Discuss how their grandparents are able to support themselves, even though they aren't working any longer, and how you're preparing yourself for the same outcome through regular savings.

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Coleman Wealth

40 King St West, Suite 5300, Scotia Plaza, Toronto, ON

Darren Coleman PFP, CFP®, CIM®, FMA, FCSI, *Senior Vice President, Private Client Group Associate Branch Manager, Portfolio Manager*

T: 416-777-7158 | darren.coleman@raymondjames.ca

Andrea Thompson CFP®, CLU, CHS, CDFA, *Senior Financial Planner*

T: 416-777-7031 | andrea.thompson@raymondjames.ca

Pedro Ostia-Vega, *Financial Advisor Associate*

T: 416-777-7159 | pedro.ostiavega@raymondjames.ca

Nik Zabaljac, *Financial Advisor Assistant*

T: 416-777-7147 | nik.zabaljac@raymondjames.ca